

MONMOUTHSHIRE COUNTY COUNCIL

ANNUAL ACCOUNTS

2017/18

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1 NARRATIVE REPORT

1.1 Introduction

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

Key facts about Monmouthshire



Monmouthshire is the most South Eastern County in Wales covering the area from the towns of Abergavenny & Monmouth in the North to Chepstow & Caldicot in the South. It is a predominantly rural County covering an area of 328sq miles and serving a resident population of around 91,000.

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

Political and management structure

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

There are 43 locally elected councillors representing 42 wards who sit on the various committees of the Council, the current political make-up (at 31st March 2018) of the Council is 25 Conservative, 10 Labour, 5 Independent and 3 Liberal Democrat Councillors.

The Cabinet and elected members are supported by the Council's Senior Leadership Team which is led by the Chief Executive. For management purposes the Council's operations are organised into Service Areas each of which is headed by a chief officer reporting to the Chief Executive. The Service Areas as at 31st March 2018 (with a brief overview of their functions) are:

Social Care & Health

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

Children & Young People

Schools and Early Years provision, Standards and Resources.

Chief Executive's Unit

Operations including waste, recycling, street cleansing, highways maintenance & street lighting and Legal & land charges.

Resources

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

Enterprise

Business growth & enterprise, Tourism life & culture, Planning & housing and Governance, democracy & support.

Corporate

Corporate management, non-distributed costs, precepts & levies and Insurance

1.2 The Council's corporate aims and objectives

The Council's strategic direction is shaped by its over-arching corporate vision and its aims and priorities. All Council policies and decision-making are made with these goals in mind.

Monmouthshire County Council's Corporate Business Plan sets out the things we will be working on in the medium term. It provides direction and a sense of what will be important for the next four years, taking us up to the end of the political term in 2022.

The core vision is to help build sustainable and resilient communities that support the well-being of current and future generations. The five organisational goals underpinning this vision and current progress towards these is shown below:

Helping build sustainable & resilient communities in Monmouthshire

Our five organisational goals - progress so far



BEST POSSIBLE START IN LIFE



Provided stability in education for the majority of looked after children, only 8% experienced a change of school.



New secondary school builds in Caldicot and Monmouth

THRIVING & CONNECTED COUNTY



Continuing to support the rollout of high speed broadband



90%
of planning applications determined in time - which is good performance in Wales

NATURAL & BUILT ENVIRONMENT



99% OF STREETS at a high or acceptable standard of cleanliness

69% OF WASTE is recycled - an increase from 56% four years ago and one of the highest rates in Wales



LIFELONG WELL-BEING



34% of people participate in sporting activities three or more times a week



49%
of pupils hooked on sports for life

FORWARD-LOOKING, FUTURE-FOCUSSED COUNCIL



Total budget of
£146 MILLION

**MANAGED BUDGET
REDUCTIONS
of £18.1 million
in the last 4 years**



1.3 Financial Performance for the Year

Revenue Budget for 2017/18

The net revenue budget for 2017/18 of £152m was financed from council tax, government grants, business rates & fees and supplemented by charges for services. The Council has a good track record of managing within approved budgets and has carefully managed its services during the year to achieve a balanced outturn position.

The 2017/18 revenue outturn produced an underspend position of £653,000 against the approved budget and this was transferred to Earmarked reserves to support future service provision, resulting in a balanced outturn position. Further details on the outturn position are provided in the June Cabinet report.

	Revised Budget	Actual	Variance
	£000	£000	£000
Net Expenditure:			
Net cost of services (internal management reporting)	145,550	146,232	682
Attributable costs – Fixed Asset Disposal	70	70	0
Interest and Investment Income	(21)	(158)	(137)
Interest Payable and Similar Charges	3,686	2,958	(728)
Charges Required Under Regulation	4,107	3,990	(117)
Capital Expenditure financed from revenue	92	92	-
Earmarked Contributions to Reserves	164	1,167	1,003
Earmarked Contributions from Reserves	(1,204)	(1,425)	(221)
Financed by:			
General government grants	(61,380)	(61,380)	-
Non-domestic rates	(30,419)	(30,419)	-
Council tax	(66,780)	(67,051)	(271)
Council Tax Benefit Support (included in NCS)	6,135	5,924	(211)
Contribution to/(from) Council Fund	0	-	0
Council Fund (surplus)/deficit - Non-Schools	0	0	0
Council Fund (surplus)/deficit - Schools	877	94	(783)
Council Fund (surplus)/deficit - Total	877	94	(783)

In providing its day to day services the Council incurred employee costs of £120m, running costs of £139m and capital costs of £30m. To fund these costs the Council received £58m from fees, charges and other income, £97m from Council Tax & Business rates and £108m in external grants.

The net cost of services in the table above of £146.2m is reported on a management accounting basis, i.e. the same basis as the budget reports used for internal reporting during the year. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) of £168.7m is different because it is prepared on a financial accounting basis, which is specified by accounting guidelines.

Note 11.1 to the accounts shows how the figures reconcile.

Level of general and specific reserves/balances

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

Monmouthshire County Council: Statement of Accounts 2017/18

Reserves & balances	2015/16 £000	2016/17 £000	2017/18 £000
Council Fund Balance	7,111	7,111	7,111
School Balances	1,156	269	175
Earmarked Reserves	8,498	6,870	6,390
Service Reserves	244	278	147
Trading Accounts	527	655	837
Total Usable Reserves & balances	17,535	15,184	14,660

Capital expenditure & financing

In addition to revenue spending the Council also spent £48.1m on its assets which is detailed below along with the corresponding finance streams:

2016/17 £000		2017/18 £000
	Expenditure	
26,494	Schools modernisation programme	35,306
4,470	Infrastructure	4,471
2,467	Asset management schemes	2,839
4,299	Solar Farm - Oak Grove	436
882	Inclusion schemes	1,027
491	ICT schemes	65
720	Regeneration schemes	2,632
1,861	Vehicles	1,356
41,684	Total Expenditure	48,131
	Financing	
(2,949)	Capital receipts	(17,324)
(23,791)	Borrowing and Finance Lease Commitments	(15,444)
(14,051)	Grants and Contributions	(15,099)
(894)	Revenue and Reserve Contributions	(264)
(41,684)	Total Financing	(48,131)

Significant capital receipts

The most significant capital receipts received in 2017/18 were £702k for Govilon School and £645k for Westwood Farm. All other receipts totalled £376k. The Council currently ring fences all capital receipts to support Band A of its 21st Century Schools development programme.

Revaluation and disposals of non-current assets

The Council has a policy of revaluing all Land & Building assets every five years on a rolling programme. During 2017/18 Caldicot School, Oak Grove Solar Farm, Usk County Hall, Abergavenny Market and recreational areas & playing fields were revalued. The programme for subsequent years is as follows:

- 2018/19 – Primary schools, Land parcels, Museums & Theatres
- 2019/20 – Comprehensive schools, Car parks, Community centres, Associations & clubs
- 2020/21 – Leisure centres, Public conveniences, Hubs, Refuse tips, Residential homes & Sheltered housing

In addition to this rolling asset revaluation programme, an annual review is also undertaken of our assets for any significant changes in their use. The whole Investment Property portfolio is revalued by sample to ensure the value is properly reflecting in accounts.

During 2017/18 the value of our assets has increased from £334.9m to £362.5m, arising from recognising the in-year asset enhancing spend of £42 million; the rolling programme of revaluations in 2017/18 decreasing their held value by £2.5 million; depreciation of £11m and the sale of assets valued at £0.9m. Further details of these movements are outlined in note 12.1.

Borrowing arrangements and sources of funds

The Council's overall borrowing, on a principal valuation basis, totalled £129.9m as at 31st March 2018 (£89.9m as at 31st March 2017), comprising of the following:

31st March 2017 £000		31st March 2018 £000
51,756	Public Works Loan Board	52,415
13,600	Market Loans & Bank loans	13,816
5,593	Other sources	15,639
19,000	Temporary borrowing (for cash flow purposes)	48,000
89,949	Total borrowing	129,870

In May 2018 Council agreed the adoption of the Asset Investment Policy and the approval of up to £50,000,000 of prudential borrowing to fund acquisitions of land and property assets over a three year period. Further information can be found here:

<https://democracy.monmouthshire.gov.uk/documents/s14073/7.%2020180510%20Council%20-%20Asset%20Management%20Strategy%20-%20covering%20report.pdf>

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

Collection of Council Tax and Non-Domestic Rates

The Council Tax bill for Monmouthshire County Council in 2017/18 including amounts raised for Police and Community Councils was £1,466.49 (£1,405.95 in 2016/17) for properties in valuation Band D. We collected 98.2% in year of the total due (98.1% 2016/17). Our collection rate for Non-Domestic Rates increased to 97.7% in 2017/18 (97% in 2016/17). During the year £149,000 Council Tax and £378,000 Non-Domestic Rates' debts were written off (£183,000 and £287,000 in 2016/17).

Pension Liabilities

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).

The pension liability at the end of the year amounted to £217,645,000 (£217,236,000 in 2016/17). 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.

1.4 The Financial Outlook

Over the last four years, the Council has managed £19 million of savings from its service budgets. Funding from Welsh Government has reduced over the period and austerity looks set to continue for the foreseeable future. At the same time pressures on the budget have been increasing in terms of demographic growth, demand and expectations.

2018/19: In setting its 2018/19 revenue budget the Council was required to make difficult choices regarding service delivery and Council Tax levels. As part of the process the Council approved an annual Council Tax increase of 4.95%, which increased the annual band D charge by £58.57 to £1,241.76. It also approved £5m of savings measures to ensure that the approved budget is delivered.

The Medium Term: The continuing financial projections for the wider public sector continue to be regularly communicated and this Council, like all others, has significant service and financial challenges going forward. In November 2017 Cabinet approved its latest Medium Term Financial Plan (MTFP) (2018 to 2022), and this identified that a further £14m of savings will need to be identified to ensure that balanced positions are achieved.

In respect of the Council's Forward Capital Programme this has been constructed to principally support band A of the 21st Century Schools programme, Disabled Facilities Grants, Asset management and Infrastructure, with some £47.4m (including contributions to the Cardiff Capital Region City Deal initiative) forecast to be spent from 2018/19 to 2021/22.

Cardiff Capital Region City Deal (CCRD)

On 1st March 2017 the £1.2 billion Cardiff City Region City Deal between the UK Government, the Welsh Government and the 10 constituent councils in South East Wales, which includes Monmouthshire, was formally ratified. The investment is over a 20 year period and the key aim of the fund is to create 25,000 new jobs by 2036 and lever £4 billion of private sector investment.

The CCRD Investment Fund comprises two distinct elements:-

- £734 million – METRO scheme. This will comprise £503 million of Welsh Government funding provided over the first seven years from 2016/17 to 2022/23; £106 million from the European Development Fund, (which is committed and guaranteed following Brexit by both UK and Welsh Government); and £125 million from UK Government. This element will be the sole responsibility of Welsh Government.
- £495 million – Regional Cabinet Fund, comprising the ten constituent councils' commitment to borrow £120 million over the 20 year period of the Investment Fund, together with £375 million from the UK Government. This fund will be used for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCRD Regional Cabinet. The Council will make a 6.1% contribution to the £120 million based on its proportion of the regional population.
- As part of the original January 2017 report certain matters were reserved to the constituent Councils and the most significant was in respect of the business plan. This was approved by all Councils in March 2018. The Cardiff Capital Region City Deal made its first investment during 2017/18 and Monmouthshire's contribution was £1,487,240.

1.5 The Accounting Statements

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

- The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

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

Notes to the Accounts

The core financial statements outlined above are supported by notes to further assist the reader in interpreting the Authority's financial position for the year ended 31st March 2018. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.

J Robson
Head of Finance (S151 Officer)

Date

2 STATEMENT OF RESPONSIBILITIES

2.1 The Authority's Responsibilities

The Authority is required to:-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 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

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).

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.

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 17 gives a true and fair view of the financial position of the Council as at the 31st March 2018 and its income and expenditure for the year ended 31st March 2018.

Joy Robson
Head of Finance (S151 Officer)

Date

I confirm that these accounts were approved by the Leader of the Council on 13th September 2018 on behalf of Monmouthshire County Council.

Cllr Peter Fox
Leader of the Council

Date

Monmouthshire County Council: Statement of Accounts 2017/18

Movement In Reserves Statement for the Year Ended 31st March 2018							
	Note	Council Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1st April 2016		8,267	9,268	5,423	22,958	11,930	34,888
<i>Movement in reserves during 2016/17</i>							
Total Comprehensive Income and Expenditure		(2,424)	-	-	(2,424)	(14,788)	(17,213)
Adjustments between accounting basis & funding basis under regulations	10.2	73		13,729	13,802	(13,802)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(2,351)	-	13,729	11,377	(28,590)	(17,213)
Transfers to/(from) Earmarked Reserves	10.4	1,464	(1,464)		-		-
Increase/(Decrease) in 2016/17		(886)	(1,464)	13,729	11,377	(28,590)	(17,213)
Balance at 31st March 2017 carried forward		7,381	7,804	19,152	34,336	(16,660)	17,676
<i>Movement in reserves during 2017/18</i>							
Total Comprehensive Income and Expenditure		(24,096)	-	-	(24,096)	22,004	(2,091)
Adjustments between accounting basis & funding basis under regulations	10.2	23,572	-	(15,598)	7,974	(7,974)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(524)	-	(15,598)	(16,122)	14,030	(2,091)
Transfers to/(from) Earmarked Reserves	10.4	430	(430)	-	-	-	-
Increase/(Decrease) in 2017/18		(95)	(430)	(15,598)	(16,122)	14,030	(2,091)
Balance at 31st March 2018 carried forward		7,286	7,374	3,554	18,214	(2,630)	15,585

Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2018							
2016/17 (Restated)					2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
70,111	(11,894)	58,217	Children & Young People		77,984	(11,746)	66,238
58,054	(14,014)	44,040	Social Care & Health		64,096	(16,188)	47,908
10,960	(4,777)	6,184	Enterprise		24,290	(9,768)	14,523
54,218	(27,541)	26,677	Chief Executives Unit		42,786	(21,599)	21,188
32,083	(20,083)	12,000	Resources		40,964	(24,354)	16,610
2,579	(262)	2,317	Corporate		2,566	(355)	2,211
228,006	(78,571)	149,434	Cost of Services	11.1	252,686	(84,009)	168,677
			Other operating expenditure:				
			<i>Precepts & Levies:</i>				
9,925	0	9,925	Gwent Police Authority		10,421	0	10,421
4,209	0	4,209	South Wales Fire & Rescue Authority		4,301	0	4,301
2,150	0	2,150	Community and Town Councils		2,480	0	2,480
106	0	106	National Parks		106	0	106
98	0	98	Internal Drainage Boards		94	0	94
17,420	(20,511)	(3,091)	Gains/losses on the disposal of non-current assets		1,322	(722)	600
		13,397	Total Other operating expenditure				18,000
15,956	(7,308)	8,648	Financing and investment income and expenditure	11.3	17,444	(7,858)	9,586
			Taxation & non-specific grant income:				
0	(64,076)	(64,076)	Council Tax	11.5	0	(67,051)	(67,051)
0	(27,981)	(27,981)	Non-domestic rates redistribution	11.6	0	(30,419)	(30,419)
0	(76,998)	(76,998)	General government grants	11.7	0	(74,698)	(74,698)
		2,424	(Surplus) or Deficit on Provision of Services				24,096
			Other Comprehensive Income and Expenditure:				
		(7,200)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(7,773)
		21,988	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			(14,231)
		14,788	Total Other Comprehensive Income and Expenditure				(22,004)
		17,213	Total Comprehensive Income and Expenditure				2,092

Monmouthshire County Council: Statement of Accounts 2017/18

Balance Sheet as at 31st March 2018			
31st March 2017		Note	31st March 2018
£000s			£000s
173,547	Other land and buildings	12.1	204,598
4,786	Vehicles, plant, furniture and equipment	12.1	5,245
61,417	Infrastructure	12.1	62,662
4,021	Community assets	12.1	4,235
40,724	Assets under construction	12.1	33,113
360	Surplus assets not held for sale	12.1	910
4,882	Heritage Assets	12.7	4,643
41,932	Investment Property	12.5	45,153
647	Intangible Assets		489
40	Long-Term Investments	13.1	40
4,240	Long Term Debtors	13.5	3,144
336,596	Long term assets		364,231
0	Short Term Investments	13.1	10,038
349	Inventories		242
19,937	Short Term Debtors	13.5	21,855
6,498	Cash and Cash Equivalents	15.3	7,354
2,933	Assets Held for Sale	12.6	1,450
29,717	Current Assets		40,938
(30)	Cash and Cash Equivalents	15.3	(774)
(20,267)	Short Term Borrowing	13.1	(53,960)
(28,437)	Short Term Creditors	13.6	(31,980)
(3,598)	Provisions	13.7	(3,986)
(52,332)	Current Liabilities		(90,699)
(217,236)	Liability related to defined benefit pension scheme	14.4	(217,645)
(353)	Provisions	13.7	(385)
(69,682)	Long Term Borrowing	13.1	(75,911)
(1,755)	Other Long Term Liabilities	13.1	(1,745)
(5,286)	Capital Grants Receipts in Advance	11.7(b)	(1,310)
(1,992)	Revenue Grants Receipts in Advance		(1,890)
(296,304)	Long Term Liabilities		(298,886)
17,676	Net Assets		15,585
7,381	Council Fund Balance	10.3	7,286
7,804	Earmarked Reserves	10.4	7,374
19,152	Capital Receipts Reserve	10.6	3,555
34,337	Usable Reserves		18,215
48,771	Revaluation Reserve	10.7	53,185
(217,236)	Pensions Reserve	10.9	(217,645)
151,889	Capital Adjustment Account	10.8	163,175
4,000	Deferred Capital Receipts Reserve	10.11	3,000
(839)	Financial Instrument Adjustment Account		(744)
(3,245)	Accumulating Absence Adjustment Account	10.10	(3,601)
(16,660)	Unusable Reserves		(2,630)
17,676	Total Reserves		15,585

Monmouthshire County Council: Statement of Accounts 2017/18

Cash Flow Statement for the Year Ended 31st March 2018			
31st March 2017			31st March 2018
£000		Note	£000
2,424	Net (surplus) or deficit on the provision of services	15.1	24,096
(29,565)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(39,249)
29,327	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	6,251
2,186	Net cash flows from Operating Activities	15.1	(8,902)
34,512	Purchase of property, plant and equipment, investment property and intangible assets		45,801
14,000	Purchase of short-term and long-term investments		70,070
781	Other payments for investing activities		1,703
(16,677)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(1,727)
(17,999)	Proceeds from short-term and long-term investments		(61,090)
(21,653)	Other receipts from investing activities		(6,352)
(7,036)	Net Cash (Inflow)/Outflow from Investing Activities		48,405
	Financing Activities		
37,938	Repayments of short and long-term borrowing		74,543
30	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		31
(32,455)	Cash receipts of short and long-term borrowing		(114,190)
(536)	Other receipts from financing activities		0
4,977	Net Cash (Inflow)/Outflow from Financing Activities		(39,615)
127	Net (increase) / decrease in cash and cash equivalents		(112)
6,596	Cash and cash equivalents at the beginning of the reporting period		6,468
6,469	Cash and cash equivalents at the end of the reporting period	15.3	6,580

**Notes to the Accounts
for the Year Ended
31st March 2018**

10 MOVEMENT IN RESERVES STATEMENT NOTES

10.1 Movement in Reserves

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. A summary of the movement in reserves during the financial year is illustrated below. More detailed information to support the Movement in Reserves Statement follows this note.

	Note	Balance at 1st April 2016 £000	Movement in Reserve £000	Balance at 31st March 2017 £000	Movement in Reserve £000	Balance at 31st March 2018 £000
Usable Reserves:						
Council Fund balance: Authority	10.3	7,111	0	7,111	0	7,111
Council Fund balance: LMS School Balances	10.5	1,156	(887)	269	(94)	175
Earmarked reserves	10.4	9,268	(1,464)	7,804	(430)	7,374
Capital Receipts Reserve	10.6	5,423	13,729	19,152	(15,597)	3,555
Total Usable Reserves		22,958	11,377	34,337	(16,121)	18,215
Unusable Reserves:						
Revaluation Reserve	10.7	47,671	1,100	48,771	4,414	53,185
Capital Adjustment Account	10.8	155,410	(3,521)	151,889	11,285	163,175
Financial Instruments Adjustment Account		(934)	95	(839)	95	(744)
Pension Reserve	10.9	(188,225)	(29,011)	(217,236)	(409)	(217,645)
Deferred Capital Receipts Reserve		0	4,000	4,000	(1,000)	3,000
Accumulated Absences Adjustment Account	10.10	(1,992)	(1,253)	(3,245)	(356)	(3,602)
Total Unusable Reserves		11,930	(28,590)	(16,660)	14,029	(2,631)
Total Authority Reserves		34,888	(17,212)	17,676	(2,091)	15,584

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 2017/18:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of Property, Plant and Equipment assets	13,691	-	(13,691)
Charges for impairment of Heritage Assets	25	-	(25)
Revaluation movements on Heritage Assets	251	-	(251)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	8,071	-	(8,071)
Revaluation movements on Assets Held for Sale (charged to SDPS)	50	-	(50)
Movements in the market value of Investment Properties	1,982	-	(1,982)
Amortisation and impairment of intangible assets	160	-	(160)
Capital grants and contributions applied	(13,318)	-	13,318
Revenue expenditure funded from capital under statute	1,703	-	(1,703)

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Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	941	-	(941)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Statutory provision for the financing of capital investment (MRP)	(3,895)	-	3,895
Capital expenditure charged against the Council Fund	(264)	-	264
Adjustments involving the Capital Receipts Reserve:			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(727)	1,727	(1,000)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(17,324)	17,324
Adjustments involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(95)	-	95
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the CIES	25,568	-	(25,568)
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,928)	-	10,928
Adjustment involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	356	-	(356)
Adjustment between the Capital Adjustment Account and the Revaluation Reserve:			
Depreciation of non-current asset revaluation gains	-	-	-
Total adjustments between accounting basis & funding basis under regulations	23,572	(15,598)	(7,974)

Movements in 2016/17:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Charges for depreciation and impairment of Property, Plant and Equipment assets	11,940	-	(11,940)
Charges for impairment of Heritage Assets	8	-	(8)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	28	-	(28)
Revaluation movements on Assets Held for Sale (charged to SDPS)	-	-	0
Movements in the market value of Investment Properties	(133)	-	133
Amortisation and impairment of intangible assets	181	-	(181)
Capital grants and contributions applied	(13,431)	-	13,431
Revenue expenditure funded from capital under statute	781	-	(781)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	17,367	-	(17,367)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>			
Statutory provision for the financing of capital investment (MRP)	(3,278)	0	3,278
Capital expenditure charged against the Council Fund	(894)	-	894
Adjustments involving the Capital Receipts Reserve:			

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Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(20,677)	16,677	4,000
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,949)	2,949
Adjustments involving the Financial Instruments Adjustment Account:			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(95)	-	95
Adjustments involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the CIES	17,774	-	(17,774)
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,751)	-	10,751
Adjustment involving the Accumulated Absences Account:			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,253	-	(1,253)
Adjustment between the Capital Adjustment Account and the Revaluation Reserve:			
Depreciation of non-current asset revaluation gains	-	-	-
Total adjustments between accounting basis & funding basis under regulations	73	13,729	(13,801)

10.3 Usable Reserves available for Revenue Purposes

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

Each of the Authority's Schools is directly governed by a Board of Governors, which is responsible for managing the school's finances. The balance on the Council Fund includes £175,000 in respect of underspent (or overspent) budgets which have been delegated to schools. These balances are at the disposal of the respective schools and represent an earmarked reserve which is not available for the Authority to use generally.

	At 1st April 2016 £000	In Year Movement £000	At 31st March 2017 £000	In Year Movement £000	At 31st March 2018 £000
Amount of Council Fund Balance held by Schools under Local Management Schemes	1,156	(887)	269	(94)	175
Amount of Council Fund Balance generally available for new expenditure	7,111	0	7,111	0	7,111
Total Council Fund Balance	8,267	(887)	7,380	(94)	7,286
Earmarked Revenue Reserves	9,268	(1,464)	7,804	(430)	7,374
Total Usable Reserves available for Revenue Purposes	17,535	(2,351)	15,184	(523)	14,660

10.4 Transfers to/from Earmarked Reserves

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

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

The transfers to and from Earmarked Reserves in 2017/18 can be summarised as follows:

	At 1st April 2016 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2017 £000	Transfer to Reserves £000	Transfer from Reserves £000	At 31st March 2018 £000

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Invest to Redesign	1,298	75	(412)	961	567	(225)	1,302
Priority Investment	1,120	593	(713)	1,000	155	(468)	687
Insurance and risk management	1,236	-	(153)	1,083	0	(37)	1,046
IT Transformation	827	147	(246)	728	55	(48)	735
Treasury equalisation	990	-	-	990	0	0	990
Capital Investment	1,265	-	(489)	776	0	(127)	648
Redundancy and Pensions	1,274	114	(593)	795	0	(298)	497
Capital Receipt Generation	322	100	(75)	348	70	(70)	347
Other reserves							
Elections	108	25	-	133	25	(100)	58
Museums acquisition	57	-	-	57	0	(1)	56
Solar Farm Maintenance & Community Fund	0	-	-	0	23	0	23
Service Reserves:							
Grass Routes to Schools	140	54	(9)	184	0	(38)	146
Schools sickness & maternity cover	104	-	(10)	94	0	(93)	1
Trading Accounts:							
Youth Offending Team	325	-	(51)	274	0	(25)	249
Outdoor education centres	190	-	-	190	0	(61)	129
Building Control	12	14	-	25	0	(4)	22
Rural Development Plan	0	86	-	86	191	0	278
Highways Plant & Equipment Replacement	0	75	-	75	75	0	150
Homeless Prevention	0	5	-	5	5	0	10
Total	9,268	1,287	(2,751)	7,804	1,166	(1,596)	7,374

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

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

Capital Investment Reserve - To finance future capital expenditure.

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

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

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

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

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

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

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

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

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

10.5 School Balances

The balance on the Council Fund includes £175,225 in respect of underspent (or overspent) budgets which have been delegated to schools. These balances are at the disposal of the respective schools and represent an earmarked reserve which is not available for the Authority to use generally. Details of the movements of these reserves are shown below:

	At 1st April 2016	In Year Movement	At 31st March 2017	In Year Movement	At 31st March 2018
	£	£	£	£	£
Comprehensives					
Caldicot	208,860	(175,124)	33,736	(134,373)	(100,637)
Chepstow	(414,066)	332,999	(81,068)	239,524	158,456
King Henry VIII	107,368	(246,723)	(139,355)	(23,105)	(162,460)
Monmouth	45,772	(146,345)	(100,573)	(323,378)	(423,950)
Sub Total Comprehensives	(52,067)	(235,193)	(287,259)	(241,332)	(528,591)
Primaries					
Archbishop R Williams	84,489	(34,832)	49,657	29,798	79,455
Cantref	41,987	10,779	52,766	13,199	65,965
Castle Park	(21,446)	(24,669)	(46,115)	2,456	(43,659)
Cross Ash	51,269	(5,648)	45,620	13,736	59,356
Deri View	86,054	(58,757)	27,297	12,703	40,000
Dewstow	112,598	(22,473)	90,125	15,501	105,626
Durand	60,520	(6,589)	53,931	17,734	71,664
Gilwern	41,298	(1,662)	39,636	12,617	52,253
Goytre Fawr	53,920	(28,549)	25,371	(14,568)	10,803
Kymin View	18,774	(8,480)	10,294	24,363	34,657
Llandogo	(11,446)	1,710	(9,736)	(2,713)	(12,449)
Llanfair Kilgeddin CV	66,824	(66,824)	0	0	0
Llanfoist	93,789	(25,734)	68,056	(18,476)	49,579
Llantilio Pertholey	37,176	(16,209)	20,967	(16,527)	4,439
Llanvihangel Crucorney	(23,605)	20,488	(3,117)	3,628	511
Magor Vol Aided	56,008	(20,828)	35,179	(54,406)	(19,226)
New Pembroke Primary	36,201	(27,375)	8,826	(8,645)	181
Osbaston Church in Wales	37,344	(18,774)	18,570	(17,935)	635
Our Lady's & St Michael's Catholic Primary	30,654	14,851	45,505	(52,589)	(7,085)
Overmonnow	(19,101)	23,060	3,959	24,430	28,389

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Raglan	18,369	(130,346)	(111,977)	(35,766)	(147,743)
Rogiet	59,613	(25,429)	34,184	(8,039)	26,145
Shirenewton	81,560	5,809	87,369	31,230	118,600
St Mary's (Chepstow)	25,385	(38,577)	(13,192)	19,247	6,055
The Dell	50,266	(4,172)	46,094	(23,929)	22,165
Thornwell	2,253	(22,787)	(20,534)	10,969	(9,566)
Trellech	86,281	(519)	85,762	1,888	87,650
Undy	16,641	(66,677)	(50,037)	21,816	(28,221)
Usk CV	71,295	(15,187)	56,108	6,812	62,920
Ysgol Gymraeg Y Fenni	58,741	(9,774)	48,966	9,999	58,965
Ysgol Gymraeg Ffin	13,168	(80,578)	(67,410)	29,794	(37,617)
Sub Total Primaries	1,316,875	(684,754)	632,122	48,327	680,449
Special					
Mounton House	(154,854)	12,437	(142,417)	108,833	(33,584)
Pupil Referral Unit	46,208	20,132	66,340	(9,389)	56,952
Sub Total Special	(108,646)	32,569	(76,077)	99,444	23,367
Total	1,156,163	(887,377)	268,786	(93,561)	175,225

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.

2016/17 £000		2017/18 £000
5,423	Balance as at 1st April	19,152
16,670	Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,723
7	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	4
(2,949)	Less: use of the Capital Receipts Reserve to finance new capital expenditure	(17,324)
19,152	Balance as at 31st March	3,554

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.

2016/17 £000		2017/18 £000
47,671	Balance at 1 April	48,771
7,955	Upward revaluation of assets	8,762

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(755)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(989)
(2,731)	Difference between fair value depreciation and historical cost depreciation	(3,300)
(3,368)	Accumulated gains on assets sold or scrapped	(58)
48,771	Balance at 31 March	53,185

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.

2016/17 £000		2017/18 £000
155,410	Balance at 1 April	151,889
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(11,940)	Charges for depreciation and impairment of property, plant and equipment assets	(13,691)
-	Revaluation movements on heritage assets	(251)
(8)	Charges for impairment of heritage assets	(25)
(28)	Revaluation movements on Property, Plant and Equipment	(8,071)
0	Revaluation movements on Assets Held for Sale	(50)
(181)	Amortisation & impairment of intangible assets	(160)
(781)	Revenue expenditure funded from capital under statute	(1,703)
(13,999)	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	(883)
2,731	Adjusting amounts written out of the Revaluation Reserve	3,300
	Capital financing applied in the year:	
2,949	Use of the Capital Receipts Reserve to finance new capital expenditure	17,324
13,431	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,318
3,278	Statutory provision for the financing of capital investment charged against the Council Fund	3,895
894	Capital expenditure charged against the Council Fund	264
133	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,982)
151,889	Balance at 31 March	163,175

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.

2016/17 £000		2017/18 £000
(188,225)	Balance at 1 April	(217,236)
(21,988)	Remeasurement gains or (losses) on pension assets and liabilities	14,231
(17,774)	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	(25,568)
10,751	Employer's pensions contributions and direct payments to pensioners payable in the year	10,928
(217,236)	Balance at 31 March	(217,645)

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.

2016/17 £000		2017/18 £000
(1,992)	Balance at 1 April	(3,245)
1,992	Settlement or cancellation of accrual made at the end of the preceding year	3,245
(3,245)	Amounts accrued at the end of the current year	(3,601)
(3,245)	Balance at 31 March	(3,602)

10.11 Deferred Capital Receipts

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

2016/17 £000		2017/18 £000
0	Balance at 1 April	4,000
4,000	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Reduction in Deferred Capital Receipts balance to Net present value of future lease payments	(1,000)
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
4,000	Balance at 31 March	3,000

11 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT NOTES
11.1 Expenditure and Funding Analysis

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

2016/17 (Restated)				2017/18		
Net Expenditure Chargeable to the general fund £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the general fund £000	Adjustments between the Funding & Accounting Basis £000	Net Expenditure in the CIES £000
49,798	8,419	58,217	Children & Young People	49,853	16,385	66,238
42,752	1,288	44,040	Social Care & Health	43,862	4,046	47,908
5,376	807	6,183	Enterprise	10,150	4,372	14,522
21,328	5,349	26,677	Chief Executives Unit	15,462	5,726	21,188
5,268	6,732	12,000	Resources	7,188	9,423	16,610
19,537	(17,220)	2,317	Corporate	19,717	(17,507)	2,211
144,059	5,375	149,434	Cost of Services	146,232	22,445	168,677
(144,059)	(2,951)	(147,010)	Other Income & Expenditure	(146,232)	1,652	(144,581)
0	2,424	2,424	Surplus or Deficit	(0)	24,096	24,096
(7,111)			Opening General Fund Balance	(7,111)		
0			Surplus or Deficit on General Fund	(0)		
(7,111)			Closing General Fund Balance	(7,111)		

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

2016/17 (Restated)					2017/18			
Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other differences £000	Total Adjustments £000
6,938	(83)	1,564	8,419	Children & Young People	14,193	1,776	416	16,385
641	482	165	1,288	Social Care & Health	1,298	2,816	(68)	4,046
320	221	266	807	Enterprise	2,626	1,804	(58)	4,372
4,720	436	193	5,349	Chief Executives Unit	3,806	1,764	156	5,726
311	109	6,312	6,732	Resources	1,975	828	6,620	9,423
0	(733)	(16,488)	(17,220)	Corporate	0	(105)	(17,401)	(17,507)
12,931	432	(7,988)	5,375	Cost of Services	23,898	8,883	(10,335)	22,445
(3,148)	0	16,470	13,322	Other operating expenditure	581	0	17,349	17,930
(3,483)	6,591	(97)	3,011	Financing and investment income and expenditure	(4,082)	5,759	1,287	2,964

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(13,431)	0	(5,852)	(19,283)	Taxation and non-specific grant income and expenditure	(13,318)	0	(5,924)	(19,242)
(20,062)	6,591	10,521	(2,951)	Other Income & Expenditure	(16,819)	5,759	12,712	1,652
(7,131)	7,023	2,533	2,424	Adjustments between the Funding & Accounting Basis	7,079	14,642	2,377	24,096

11.2 Expenditure & Income analysed by nature

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

2016/17 £000 (Restated)		2017/18 £000
111,102	Employee benefits expenses	119,533
115,979	Other services expenses	117,894
14,170	Depreciation, amortisation and impairment	30,121
16,488	Precepts & levies	17,401
2,932	Interest payments	2,968
17,199	Gain/loss on disposal of non-current assets	936
277,870	Total Expenditure	288,853
(48,506)	Fees, charges & other service income	(58,489)
(111)	Interest and investment income	(179)
(91,884)	Income from council tax & NNDR	(97,401)
(114,434)	External grants and contributions	(107,965)
(20,510)	Gain/loss on disposal of non-current assets	(722)
(275,445)	Total Income	(264,757)
2,424	Surplus or Deficit on the Provision of Services	24,096

11.3 Financing and Investment Income and Expenditure

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

31st March 2017			Note	31st March 2018		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,931	(9)	2,922	Interest payable and similar charges	2,967	(12)	2,955
6,591	-	6,591	Pensions interest cost and expected return on pensions assets	5,759	-	5,759
-	(70)	(70)	Interest receivable and similar income	-	(133)	(133)
667	(1,274)	(607)	Income and expenditure in relation to investment properties and changes in their fair value	4,384	(3,293)	1,091
5,768	(5,937)	(169)	(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	4,334	(4,394)	(60)

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0	(20)	(20)	Other investment income	13.2	-	(24)	(24)
15,957	(7,310)	8,647	Total Financing and Investment Income and Expenditure		17,444	(7,857)	9,587

11.4 Significant Trading Operations

The Authority has established 5 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. Building Cleaning and Highways External Clients have been removed from the note for 2017/18 as they no longer operate in a commercial environment.

Grounds Maintenance

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.

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
(2,480)	(1,225)	(3,705)	Turnover	(1,820)	(1,186)	(3,006)
2,481	1,167	3,648	Expenditure	1,822	1,155	2,977
1	(58)	(57)	(Surplus)/Deficit	2	(31)	(29)

Building Control

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 deficit of £4,000 (£14,000 surplus in 2016/17). The building control trading account reserve has a £22,000 surplus as at 31st March 2018. In line with the regulations the section will review future pricing policy in order to ensure that reserves remain at an acceptable level going forward.

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(373)	(373)	Turnover	-	(389)	(389)
-	(373)	(373)	- Chargeable	-	(389)	(389)
-	-	-	- Non-Chargeable	-	-	-
-	503	503	Expenditure	-	544	544
-	359	359	- Chargeable	-	393	393
-	144	144	- Non-Chargeable	-	151	151
-	130	130	(Surplus)/Deficit	-	155	155
-	(14)	(14)	- Chargeable	-	4	4
-	144	144	- Non-Chargeable	-	151	151

Retail Markets

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 performance in 2017/18 was impacted by redundancy expenses and increased premises costs and a small downturn in income. Performance will be closely monitored in 18-19 to ensure that any potential shortfalls are managed in year.

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total

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-	(349)	(349)	Turnover	-	(344)	(344)
-	348	348	Expenditure	-	398	398
-	(1)	(1)	(Surplus)/Deficit	-	54	54

Industrial Units

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.

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(191)	(191)	Turnover	-	(191)	(191)
-	112	112	Expenditure	-	100	100
-	(79)	(79)	(Surplus)/Deficit	-	(91)	(91)

Trade Refuse

The Authority offers a residual waste collection to local businesses. Turnover is down from previous year due to increased competition from other market providers, this has affected our bottom line position.

2016/17				2017/18		
£000 Internal	£000 External	£000 Total		£000 Internal	£000 External	£000 Total
-	(456)	(456)	Turnover	-	(423)	(423)
-	294	294	Expenditure	-	274	274
-	(162)	(162)	(Surplus)/Deficit	-	(149)	(149)

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.

2016/17 £000		2017/18 £000
(169)	Net (Surplus)/Deficit On Trading Operations	(60)
-	- Services to the Public included in Expenditure of Continuing Operations	-
(1)	Support Services recharged to Expenditure of Continuing Operations	0
(170)	Net (Surplus)/Deficit taken to financing and investment income and expenditure	(60)

11.5 Council Tax

Council tax derives from charges raised according to the value of residential properties. Each dwelling has been classified into one of nine valuation bands according to its capital value at 1 April 2003 for this specific purpose. Charges are calculated by taking the amount of income required for the Authority, Office of Police and Crime Commissioner for Gwent and Town and Community Councils for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent, totalled across all bands and adjusted for discounts. The tax base was 45,537 for 2017/18 (45,102 for 2016/17).

This average basic amount for a Band D property, £1,466.49 (£1,405.95 in 2016/17), 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

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Chargeable Dwellings	516	3293	6901	8650	7086	7444	5249	1744	672
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:

2016/17 £000		2017/18 £000
(63,903)	Council tax collectable	(66,983)
(172)	Provision for non-payment of council tax	(68)
(64,076)	Total Council Tax proceeds	(67,051)

11.6 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.499p per £ in 2017/18 (0.486p per £ in 2016/17) 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 £22,807,429 (£20,066,000 for 2016/17) was based on an average rateable value of £61,374,717 (£56,274,091 for 2016/17).

2016/17 £000		2017/18 £000
20,249	Non-domestic rates collectable	22,996
(174)	Cost of collection allowance	(179)
(9)	(Increase)/Decrease in provision for bad debts	(10)
20,066	Payments into national pool	22,807
(27,981)	Redistribution from national pool	(30,419)

11.7 General Government Grants

The Authority received the following general government grants that were identified as not being attributable to specific services within the Net Cost of Services:

2016/17 £000		2017/18 £000
(63,567)	Revenue support grant	(61,380)
(13,431)	Capital grants and contributions	(13,318)
(76,998)	Total	(74,698)

11.8 Grant Income

Capital Grants and Contributions

The Authority has credited the following capital grants & contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

2016/17 £000		2017/18 £000
1,461	WAG General Capital Grant	1,462
713	Section 106 Developer Contributions	723
11,869	WAG Grants	12,913
8	Other Contributions	0
14,051	Total	15,099

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Credited to the Comprehensive Income and Expenditure Statement:		
(619)	Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	(1,173)
(13,431)	Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	(13,926)
(14,051)	Total	(15,099)

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:

2016/17 £000		2017/18 £000
	Capital Grants Receipts in Advance:	
3,692	Welsh Government	0
	Developer Contributions held in Advance:	
1,593	S106 Developer contributions	1,310
5,285	Total	1,310

Revenue Grants and Contributions

The Authority credited the following revenue grants and contributions to the Net Cost of Services within the Comprehensive Income and Expenditure Statement:

2016/17 £000		2017/18 £000
	Central Government:	
21,610	Housing benefit subsidy	20,959
	Welsh Assembly Government:	
3,264	Sixth Form Funding (DCELLS)	3,002
4,062	SEG / WEG (PDG)	4,219
2,136	Supporting People	2,039
1,898	Waste Management	1,979
251	Rural Development Plan	530
1,160	Flying Start Grant	1,182
697	Concessionary Fares (PTSG)	709
651	Families First	647
3,268	Other WAG grants	4,488
	Home Office:	
172	Afghan / Syrian Relocation Programme (Main Project)	137
145	Police and Crime Commissioner	53
2,068	Other Grants & Contributions	2,038
41,382	Revenue Grants and Contributions Receivable	41,982

12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

12.1 In-Year Movements in Property, Plant and Equipment

The following tables summarise the movements in the Authority's property, plant and equipment portfolio by asset type for the years ending 31st March 2018 and 31st March 2017.

Movements in 2017/18:	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
Cost or Valuation:								
At 1st April 2017	180,177	14,028	85,891	4,021	360	40,724	325,201	1,310
Additions	14,690	1,685	5,004	58	-	22,326	43,763	-
Revaluation movements taken to RRA	7,698	(0)	-	(8)	(372)	-	7,318	101
Revaluation movements taken to SDPS	(9,443)	-	-	-	(277)	0	(9,721)	-
Impairment movements taken to SDPS	(546)	-	(2,230)	-	0	-	(2,776)	-
Reclassified (to)/from Held for Sale	18	(1,107)	-	0	1,200	-	112	-
Other reclassifications	24,694	-	35	164	0	(29,937)	(5,045)	-
At 31st March 2018	217,287	14,606	88,700	4,235	911	33,113	358,852	1,411
Accumulated Depreciation:								
At 1st April 2017	(6,629)	(9,242)	(24,474)	-	-	-	(40,345)	(139)
Depreciation charge	(8,164)	(1,188)	(1,564)	-	-	-	(10,915)	(54)
Depreciation written out on revaluation to RRA	446	-	-	8	0	-	455	157
Depreciation written out on revaluation to SDPS	1,650	-	-	-	0	-	1,650	-
Depreciation written out on impairment to SDPS	0	-	-	-	-	-	0	-
Reclassified to/(from) Held for Sale	-	1,068	-	-	-	-	1,068	-
Other reclassifications	8	-	-	(8)	0	-	0	-
At 31st March 2018	(12,689)	(9,361)	(26,037)	0	0	0	(48,087)	(36)
Net Book Value:								
At 31st March 2018	204,599	5,245	62,662	4,235	910	33,113	310,765	1,375
At 1st April 2017	173,548	4,786	61,417	4,021	360	40,724	284,855	1,171

Movements in 2016/17	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
Cost or Valuation:								
At 1st April 2016	185,047	11,964	83,617	3,944	(0)	10,079	294,651	1,310
Additions	2,328	2,117	4,454	86	-	30,522	39,507	-

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Revaluation movements taken to RRA	84	43	-	(8)	385	-	505	-
Revaluation movements taken to SDPS	(3,341)	-	-	-	78	(0)	(3,263)	-
Impairment movements taken to SDPS	(4,282)	-	(2,181)	-	56	-	(6,406)	-
Reclassified (to)/from Held for Sale	1,173	(96)	-	(1)	(750)	-	325	-
Other reclassifications	(831)	-	-	-	590	123	(118)	-
At 31st March 2017	180,177	14,028	85,891	4,021	360	40,724	325,200	1,310
Accumulated Depreciation:								
At 1st April 2016	(13,500)	(8,356)	(22,969)	-	-	-	(44,824)	(94)
Depreciation charge	(9,409)	(949)	(1,505)	-	-	-	(11,863)	(45)
Depreciation written out on revaluation to RRA	6,590	-	-	-	105	-	6,695	-
Depreciation written out on revaluation to SDPS	3,229	-	-	-	7	-	3,235	-
Depreciation written out on impairment to SDPS	6,329	-	-	-	-	-	6,329	-
Reclassified to/(from) Held for Sale	-	63	-	-	-	-	63	-
Other reclassifications	131	-	-	-	(111)	-	20	-
At 31st March 2017	(6,629)	(9,242)	(24,474)	-	-	-	(40,345)	(139)
Net Book Value:								
At 31st March 2017	173,548	4,786	61,417	4,021	360	40,724	284,855	1,171
At 1st April 2016	171,547	3,608	60,649	3,944	0	10,079	249,827	1,216

12.2 Revaluations of Property, Plant & Equipment

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by the Authority's Estates Section under the supervision of the Estates Manager, Mr B. Winstanley. 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 2017/18 revaluations were carried out or approved by qualified valuers within the Authority's Estates section or external qualified valuers. The basis for valuation is set out in the accounting policies within section 17 of the notes to the accounts.
- All assets requiring valuations have been revalued in the 5 year period ending 31st March 2018. The valuations carried out during 2017/18 primarily included Caldicot School, Oak Grove Solar Farm, Usk County Hall, Abergavenny Market and recreational areas & playing fields.

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	0	5,245	62,662	4,234	910	33,113	106,165
Valued at fair value as at:							
31st March 2018	56,925	-	-	-	-	-	56,925

31st March 2017	84,523	-	-	-	-	-	84,523
31st March 2016	48,460	-	-	-	-	-	48,460
31st March 2015	14,690	-	-	-	-	-	14,690
31st March 2014	0	-	-	-	-	-	0
Total Cost or Valuation	204,598	5,245	62,662	4,234	910	33,113	310,765

12.3 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 four voluntary aided schools.

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

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

The net book value of school non-current assets as at 31st March 2018, shown in the Authority's balance sheet, is £167,607,967 (£140,402,511 as at 31st March 2017).

12.4 Private Finance Initiatives

Monmouth Health & Social Care Facility (Monnow Vale)

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

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

The Authority accounts for its 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.

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.

12.5 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:

2016/17 £000		2017/18 £000
(529)	Rental income from investment property	(833)
124	Direct operating expenses arising from investment property	212
(405)	Net (gain)/loss	(621)

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

2016/17 £000		2017/18 £000
41,098	Balance at start of the year	41,932
608	Additions	860
(5)	Disposals	(687)
133	Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	(1,982)
98	Transfers (to)/from Property, Plant and Equipment	5,031
41,932	Balance at end of the year	45,154

Capital receipts totalling £1,001,000 were credited to the Capital receipts reserve during 2017/18 in relation to investment properties (160,000 in 2016/17).

Fair Value Hierarchy

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

2016/17				Type of Property	2017/18			
Quoted Prices in active markets for identical assets	Other Observable inputs	Significant Unobservable inputs			active markets for identical assets	Other Observable inputs	Significant Unobservable inputs	
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£000	£000	£000	£000		£000	£000	£000	£000
0		90	90	Freehold Reversions			90	90
0	40,072		40,072	Agricultural Properties		37,008		37,008
0		518	518	Retail Units			1,171	1,171
0		1,252	1,252	Industrial Properties			1,569	1,569
0			0	Solar Farm			5,314	5,314
0	40,072	1,860	41,932		0	37,008	8,145	45,153

There have been no transfers between levels during the year.

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

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

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

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

Level 3 Investment Properties

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

2016/17 £000		2017/18 £000
1,840	Balance at start of the year	1,860
0	Transfers (to)/from Level 3	0
51	Additions	6,269
0	Disposals	0
(31)	Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services	16
1,860	Balance at end of the year	8,145

Fair Value Measurement

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

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

12.6 Assets Held for Sale

Assets held for sale comprise those assets that are available for immediate sale and where the sale is highly probable and will be actively marketed at its market value. The in-year movement and balance of assets held for sale as at 31st March 2018 are shown below:

2016/17 £000		2017/18 £000
20,684	Balance outstanding at start of year	2,933
-	- Additions	-
1,034	Assets newly classified as held for sale: From PPE	38
(1,423)	Assets declassified as held for sale: To PPE	(1,218)
-	- Revaluation gains	-
-	- Revaluation losses	(50)
-	- Impairment losses	-
(17,362)	Assets sold	(253)
2,933	Balance outstanding at year-end	1,450

12.7 Heritage Assets

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

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

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

	Property Heritage Assets £000	Museum Exhibits £000	Civic Regalia, Artwork & Collect'n £000	Total £000
Cost or Valuation:				
1st April 2016	151	4,464	180	4,795
Additions	95	-	-	95
Revaluation increases/ (decreases) recognised in the SDPS	-	-	-	0
Impairment losses/(reversals) recognised in the SDPS	(8)	-	-	(8)
31st March 2017	238	4,464	180	4,882
Cost or Valuation:				
Additions	24	-	-	24
Revaluation increases/ (decreases) recognised in the SDPS	(250)	-	-	(250)
Impairment losses/(reversals) recognised in the SDPS	(25)	-	-	(25)
Reclassified from property, plant and equipment	13	-	-	13
31st March 2018	0	4,464	180	4,644

Property Heritage Assets

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

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

These assets were last valued on 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.

12.8 Capital Expenditure and Capital Financing

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

31st March 2017 £000		31st March 2018 £000
114,076	Opening Capital Financing Requirement	134,588
	Capital investment:	
39,507	Property, Plant and Equipment	43,763
608	Investment Properties	860
0	Assets held for sale	0
95	Heritage Assets	24
74	Intangible Assets	1
1,401	Revenue Expenditure Funded from Capital under Statute	3,484
	Sources of finance:	
(2,949)	Capital receipts	(17,324)
(14,051)	Government grants and other contributions	(15,099)
(894)	Direct revenue contributions	(264)
	Other:	
(3,278)	Minimum revenue provision	(3,895)
0	Capital receipt set aside	0
134,588	Closing Capital Financing Requirement	146,138
	Explanation of movements in year:	
2,400	Increase in underlying need to borrowing - supported by Government financial assistance	2,401
21,391	Increase in underlying need to borrowing - unsupported by Government financial assistance	13,044
(3,278)	Less: Minimum revenue provision	(3,895)
20,513	Increase / (decrease) in Capital Financing Requirement	11,550

12.9 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 accounts.

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.

2016/17 £000		2017/18 £000
	Enhancing value:	
37,048	Property, plant and equipment	40,987
244	Investment properties	604
46	Intangible assets	1
0	Assets held for sale	0
87	Heritage assets	(1)
	Not enhancing value:	
2,459	Property, plant and equipment	2,776
364	Investment properties	256
28	Intangible assets	0
0	Assets held for sale	0
8	Heritage assets	25
1,401	Revenue Expenditure Funded from Capital under Statute	3,484
41,684	Total Capital Expenditure	48,131

12.10 Capital Commitments

At 31st March 2018, the Authority has entered into major contracts (i.e. those individually above £200,000) for the construction of Property, Plant and Equipment in 2018/19 and later years budgeted to cost £21,372,000 (£14,168,000 at 31st March 2017).

12.11 Financing Capital Expenditure

The following streams of finance were utilised to fund capital expenditure during the year:

2016/17 £000		2017/18 £000
2,400	Supported Borrowing	2,401
21,391	Unsupported Borrowing	13,043
1,461	General Capital Grant	1,462
11,877	Capital grants and contributions	12,913
2,949	Council Fund Capital Receipts	17,246
0	Low Cost Home ownership receipts	78
	Revenue Contribution:	
784	Earmarked Reserves	172
110	Council Fund	92
713	S106 contributions	723
41,684		48,131

12.12 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".

In December 2016, Council approved a change to the MRP policy relating to Supported borrowing from 4% reducing balance to the use of the straight line method over 50 years. This has had the effect of reducing the MRP charge required in 2017/18 and later years.

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

The amount of revenue provision made by the Authority in 2017/18 was £3,895,000 (£3,278,000 in 2016/17).

12.13 Leases - Authority as Lessor

Operating Leases

The Authority has entered into operating lease arrangements to lease property assets to various individuals and organisations. These primarily consist of Industrial units, County Farms, Land parcels and Recreation halls.

The minimum lease payments receivable includes rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. During the financial year £582,000 of minimum lease payments were receivable by the Authority (£568,000 in 2016/17).

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

2016/17 £000 (Restated)		2017/18 £000
441	Not later than one year	533
1,071	Later than one year and not later than five years	1,022
3,200	Later than five years	2,404
4,712		3,959

Finance Leases

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

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

2016/17			2017/18	
Present Value of Minimum Lease Payments to the Authority	Gross Amount outstanding from Lessee		Present Value of Minimum Lease Payments to the Authority	Gross Amount outstanding from Lessee
£000	£000		£000	£000
160	160	Not later than one year	157	160
640	640	Later than one year and not later than five years	593	640
3,200	3,200	Later than five years	2,193	3,040
4,000	4,000		2,943	3,840

The present value of the minimum lease payments has been reduced during 2017/18 by the £160,000 receivable, the first lease payment and also by introducing a discount factor of 2.26% determined from the value of the leased asset.

12.14 Leases - Authority as Lessee

Operating Leases

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

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £342,000 (£386,000 in 2016/17).

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

2016/17 £000		2017/18 £000
225	Not later than one year	219
390	Later than one year and not later than five years	292
68	Later than five years	117
683		629

13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

13.1 Categories of Financial Instruments

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.

An 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.

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.

The following categories of financial instrument are carried in the Balance Sheet as at 31st March 2018:

Long-Term 31st March 2017 £000	Short-Term 31st March 2017 £000		Note	Long-Term 31st March 2018 £000	Short-Term 31st March 2018 £000
		Investments			
0	0	Loans & receivables	13.4	0	10,038
40	0	Unquoted equity investments	13.4	40	0
0	6,498	Cash & cash equivalents	15.3	0	7,354
40	6,498	Total Investments		40	17,391
		Debtors			
4,240	24,177	Receivables	13.5	4,240	24,998
4,240	24,177	Total Debtors		4,240	24,998
		Borrowings			
(69,682)	(20,267)	Financial liabilities at amortised cost	13.4	(75,911)	(53,960)
0	(30)	Cash & cash equivalents	15.3	0	(774)
(69,682)	(20,297)	Total Borrowings		(75,911)	(54,733)
		Other Long Term Liabilities			
(803)	0	PFI and finance lease liabilities		(771)	0
(952)	0	Other Long Term Liabilities		(974)	0
(1,755)	0	Total Other Long Term Liabilities		(1,744)	0
		Creditors			
0	(28,437)	Payables	13.6	0	(31,980)
0	(28,437)	Total Creditors		0	(31,980)

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:

2016/17 £000		2017/18 £000
	Financial Liabilities measured at amortised cost:	
2,904	Interest payable on external debt	2,944
(9)	Debt reimbursement from third parties	(12)
5	Interest payable to trust funds	2
22	Interest payable on finance leases	21
2,922	Total Interest payable and similar charges	2,955
	Financial assets - loans and receivables:	
(70)	Interest income	(31)
0	Interest income accrued on impaired financial assets	0

0	Interest income relating to Finance lease debtors	(102)
0	Investment Losses / (Gains)	0
(20)	Other interest and investment income	(24)
(90)	Total Interest Income	(157)
2,832	Net (gain)/loss for the year	2,798

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:

Borrowings

Carrying Amount	Fair Value		Carrying Amount	Fair Value
31st March 2017	31st March 2017		31st March 2018	31st March 2018
£000	£000		£000	£000
(89,949)	(114,134)	Financial liabilities at amortised cost	(129,870)	(150,098)

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

Due to the short term nature of the investments, 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 such as interest rates
- Inflation risk – the possibility that the interest earned on investments does not fully offset inflationary pressures

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.

The authority does not expect any losses from non-performance by any of its counterparties in relation to investments held as at 31st March 2018.

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:

31st March 2017 £000		31st March 2018 £000
52,223	Public Works Loan Board	52,415
13,818	Market Loans & Bank loans	14,816
4,973	Welsh Government	5,210
18,935	Local Government bodies	47,891
0	Special Purpose Vehicle	4,538
0	Universities	5,000
89,949	Total	129,870
	The Loans Mature as follows:-	
20,267	Less than one year	53,960
1,537	Between one and two years	8,270
24,027	Between two and five years	24,563
9,860	Between five and ten years	10,273
34,257	More than ten years	32,805
89,949	Total	129,870

The financial liabilities with Welsh Government are interest free loans:- Salix loans that have been provided to fund capital schemes targeted towards energy efficiencies initiatives; a loan of £433,000 for Street Lighting upgrades and a loan of £4,455,000 which has funded the Oak Grove solar farm construction. Accounting requirements require financial liabilities in the form of loans to be carried at amortised cost. However, some of these interest free loans have not been carried at amortised cost on the grounds that the figures quoted are not materially different.

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

c) Market Risk

i) Interest rate risk

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

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

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 2018 (£nil at 31st March 2017).

The Authority has a number of strategies for managing interest rate risk. The 2018/19 Treasury strategy includes monetary limits for net variable Interest rate exposure, which is the difference between the levels of variable rate debt and variable rate 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 31st March 2018, 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 £9,093,000 (£9,231,000 reduction in 2016/17).
- 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 2018, repayable in the short term (within 12 months of the balance sheet date) and long term (after 12 months of the balance sheet date), is summarised below:

31st March 2017					31st March 2018			
Long Term £000	Short Term £000	Impairment £000	Net £000		Long Term £000	Short Term £000	Impairment £000	Net £000
				Central Government Bodies:				
0	4,958	0	4,958	Welsh Government	0	5,835	0	5,835
0	2,376	0	2,376	HM Customs & Excise	0	2,013	0	2,013
0	1,265	0	1,265	NNDR Debtor	0	934	0	934

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0	0	0	0	Council Tax and Housing Benefit Subsidy	0	56	0	56
0	8	0	8	Other	0	54	0	54
Other entities and individuals:								
0	4,128	46	4,174	Other Local Authorities	0	4,746	(115)	4,631
4,000	0	0	4,000	Deferred Capital receipts	2,928	0	0	2,928
0	2,500	(62)	2,438	Revenue debtors	0	2,461	(59)	2,402
0	2,481	(1,798)	683	Council tax arrears	0	2,434	(1,729)	705
0	1,464	(260)	1,204	Corporate sundry debtors	0	1,394	(205)	1,189
0	1,333	(582)	751	Housing benefit overpayments	0	1,394	(566)	828
0	1,313	(13)	1,300	NHS Bodies	0	998	(12)	986
0	626	(110)	517	Social Services debtors	0	647	(120)	527
0	215	(168)	47	Rent arrears	0	222	(197)	25
0	216	0	216	Capital debtors	0	1,669	0	1,669
214	0	0	214	Housing Advances	211	0	0	211
26	0	0	26	Other	5	0	0	5
4,240	22,883	(2,946)	24,177	Total Debtors	3,144	24,857	(3,003)	24,998

The aged analysis of the debtors outstanding as at 31st March 2018 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Central Government Bodies:						
Welsh Government	5,835	0	0	0	0	5,835
HM Customs & Excise	2,013	0	0	0	0	2,013
NNDR Debtor	333	0	0	76	525	934
Council Tax and Housing Benefit Subsidy	56	0	0	0	0	56
Other	54	0	0	0	0	54
Other entities and individuals:						
Other Local Authorities	2,901	1,527	306	12	0	4,746
Deferred Capital receipts	0	0	160	160	2,608	2,928
Revenue debtors	2,461	0	0	0	0	2,461
Council tax arrears	0	0	0	1,082	1,352	2,434
Corporate sundry debtors	651	239	177	137	190	1,394
Housing benefit overpayments	100	183	340	199	572	1,394
NHS Bodies	783	153	21	41	0	998
Social Services sundry debtors	133	83	208	147	76	647
Capital debtors	1,669	0	0	0	0	1,669
Rent arrears	14	4	18	31	154	222
Housing Advances	0	0	0	0	211	211
Other	0	0	0	0	5	5
Total	17,003	2,190	1,230	1,885	5,693	28,001

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2018 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months - 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Other Local Authorities	0	(1)	(97)	(17)	0	(115)
NHS Bodies	0	(11)	0	(1)	0	(12)

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Revenue debtors	0	0	(23)	(14)	(22)	(59)
Council Tax Arrears	0	0	0	(837)	(892)	(1,729)
Social Services sundry debtors	(3)	(7)	(24)	(35)	(51)	(120)
Corporate sundry debtors	0	(6)	(51)	(33)	(115)	(205)
Rent arrears	0	(2)	(9)	(31)	(155)	(197)
Housing benefit overpayments	0	0	(96)	(56)	(414)	(566)
Total	(3)	(27)	(300)	(1,024)	(1,649)	(3,003)

13.6 Creditors

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 (97% in 2016/17).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2018 is summarised below:

31st March 2017 £000		31st March 2018 £000
6,370	Central Government Bodies	6,021
5,309	Other Local Authorities	4,064
557	NHS Bodies	372
4,114	Capital Creditors	6,520
12,087	Other entities & individuals	15,003
28,437	Total	31,980

13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2018, together with their movement for the year, is summarised below:

	Note	As at 1st April 2017 £000	Additional Provisions Made £000	Amounts Used £000	Unused Amounts Reversed £000	As at 31st March 2018 £000
Insurance Claims	13.8a	675	498	(120)	(314)	739
Insurance Claims - MMI	13.8b	31	0	0	0	31
Accumulating Compensated Absences	13.8c	3,245	3,601	(3,245)	0	3,601
Total		3,951	4,099	(3,365)	(314)	4,371

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

Current 31st March 2017 £000	Long Term 31st March 2017 £000		Current 31st March 2018 £000	Long Term 31st March 2018 £000
338	338	Insurance Claims	370	370
16	16	Insurance Claims - MMI	16	16
3,245	0	Accumulating Compensated Absences	3,601	0
3,598	353	Total	3,986	385

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 2018. Provision has only been made where the Authority's insurers indicate a settlement is likely. The result is that the total provision is at the most likely level to be paid out in the future. Any movement in provisions has been charged against the services to which the claims relate.

The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The balance in the reserve is reviewed annually as part of the assessment on the adequacy of reserves by the 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 2018 was 739,000 (£675,000 at 31st March 2017) and the balance on the insurance and risk management reserve as at 31st March 2018 was £1,016,000 (£1,053,000 as at 31st March 2017). These balances are deemed to provide sufficient cover for the Authority's claims exposure.

The total number of open claims made against the Authority as at 31st March 2018 was 234 (181 open claims as at 31st March 2017).

A breakdown of the provision made across policy types is provided below:

2016/17 £000		2017/18 £000
292	Public Liability	467
383	Employer's Liability	272
0	Property	0
675	Total	739

b) Municipal Mutual Insurance (MMI)

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

In addition to the levy paid for settled claims, a percentage payment is also applied to outstanding claims which are subsequently settled against the Authority. As at the 31st March 2018, a provision of £31,000 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 March 2018 was £3,601,269 (£3,244,863 at 31st March 2017).

d) 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. 5 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 £6.360 million as updated by RPI (£6.184 million as at 31st March 2017) , 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 2018) is £87,694 (previously £73,572 for the period 21st January 2008 to 31st March 2017).

13.8 Agency Transactions

Home Improvement Loans (HIL) and Vibrant and Viable Places (VVP) Loans

The Welsh Government has established a scheme whereby loans are made available, through Local Authorities, to homeowners and landlords wishing to renovate their properties for rent or sale.

Under this scheme, Monmouthshire County Council is acting an agent for Welsh Government by implementing this initiative. Our role will be to promote the scheme, administer applications, conduct financial and property checks and process applications.

Funding is paid to the Local Authority at the start of the scheme which we hold in our account. Welsh Government have set out terms and conditions which are detailed below: -

Loans are interest free

The maximum loan period is dependant on whether the property to be renovated is sold or let

The loan amount is capped at £25,000 per unit of accommodation

The maximum loan amount per applicant is £150,000

The below table set out a financial analysis for the scheme in the accounts:

	Agency funds from WG	Interest Earned	Loans Issued & outstanding	Repayment to WG	Total
	£000s	£000s	£000s	£000s	£000s
Home Improvement Loans	1,250	10	(64)	(1,159)	37
Vibrant and Viable Places Loans	621	3	(46)	0	578
Total	1,871	13	(110)	(1,159)	615

The gross amount owed to Welsh Government is £727,000. The Loan amounts not yet repaid by Loan recipients to Monmouthshire County Council is £109,000. The net Agency creditor is £618,000 and this is held within Long Term Liabilities.

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 the fair value of its future pension liabilities relating to past employee service, and the extent to which assets have been set aside to fund them, rather than the actual payments and contributions made 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 liability is £347,312 million as at the 31 March 2017 (£271,873 million at 31 March 2016). 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 million at 31 March 2012 (£3,260 million at 31 March 2004, the previous actuarial valuation).

The Authority's payments relating to 2017/18 totalled £3,896,000 (£3,916,000 in 2016/17) to the scheme in respect of teachers' retirement benefits, representing 16.48% of teachers' pensionable pay (16.48% for 2016/17).

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 £321,000 of contributions remaining payable to the scheme at the year end (£324,000 at 31st March 2017).

Greater Gwent Pension Fund

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

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

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

- 14.2 Pension Fund Stakeholders
- 14.3 Entries in the comprehensive income and expenditure statement
- 14.4 Expected future pension contributions
- 14.5 Actuarial Assumptions
- 14.6 Sensitivity analysis
- 14.7 Investments held by the pension fund
- 14.8 The movement in the authority's share of the assets and liabilities within the Fund
- 14.9 A summary explanation of the movement in assets and liabilities

14.2 Pension Fund Stakeholders

The total defined benefit obligation for the Authority's share of the Greater Gwent Pension fund (excluding unfunded liabilities) as at the 31st March 2018 is split as follows:

2016/17			2017/18	
£000's	%		£000's	%
243,098	46%	Active	264,329	49%
94,898	18%	Deferred	94,558	18%
188,068	36%	Pensioners	180,785	33%
526,064	100%	Total	539,672	100%

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

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

14.3 Entries in the comprehensive income and expenditure statement

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

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

Local Government Pension Scheme	Teachers' Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers' Unfunded Discretionary Benefits
2016/17 £000's	2016/17 £000's		2017/18 £000's	2017/18 £000's
		Comprehensive Income and Expenditure Account		
		Net Cost of Services:		
11,106	0	current service cost	19,610	0
77	0	past service cost / (gain) including curtailments	199	0
0	0	settlement gain	0	0
11,183	0	Total Net Cost of Services	19,809	0
		Financing and Investment Income and Expenditure:		
15,286	199	interest cost on pension liabilities	13,930	135
(8,894)	0	interest income on plan assets	(8,306)	0
0	0	Impact of asset ceiling on net interest	0	0
17,575	199	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	25,433	135
		Other Comprehensive Income and Expenditure:		
22,200	-212	(Gains) and losses on remeasurement	(14,212)	(19)
0	0	Effect of business combinations and disposals	0	0
22,200	(212)	Total Other Comprehensive Income and Expenditure	(14,212)	(19)
39,775	(13)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	11,221	116
		Movement in Reserves Statement		
(17,575)	(199)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(25,433)	(135)
		Actual amount charged against the Council Fund for pensions in the year:		
10,270	481	employers' contributions payable to scheme	10,465	463

14.4 Expected future pension contributions

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2019 is £10,221,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2019 are £477,000.

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

14.5 Actuarial Assumptions

The latest full actuarial valuation of the Greater Gwent (Torfaen) Pension Scheme was carried out on the 31st March 2016. 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		
	31st March 2018	31st March 2017	31st March 2016	31st March 2018	31st March 2017	31st March 2016
Rate of increase in salaries	2.8%	2.8%	3.7%	-	-	-
Rate of increase in pensions (inline with CPI)	2.4%	2.4%	2.2%	2.4%	2.4%	2.2%
Rate for discounting scheme liabilities	2.7%	2.6%	3.5%	2.7%	2.6%	3.5%
Life Expectancy:						
Current male pensioner aged 65 (years)	21.5	21.5	23.0	21.5	21.5	23.0
Current female pensioner aged 65 (years)	23.9	23.9	25.4	23.9	23.9	25.4
Future male pensioner aged 65 in 20 years' time (years)	23.6	23.6	25.2	-	-	-
Future female pensioner aged 65 in 20 years' time (years)	26.1	26.1	27.8	-	-	-

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

The weighted average duration at the most recent actuarial valuation for Monmouthshire County Council is 17 to 23 years. Monmouthshire County Council is in the Medium category.

14.6 Sensitivity Analysis

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

Change in assumption at 31st March 2018	Approximate % increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	55,492
0.5% increase in the Salary Increase Rate	2%	9,014
0.5% increase in the Pension Increase Rate	8%	45,694

In addition the actuary estimates that a one year increase in life expectancy would approximately increase the Employers Defined Benefit Obligation by around 3-5%. In practice this is dependent on the age groups predominantly affected.

14.7 Investments held by the pension fund

Teachers unfunded discretionary payments have no assets to cover its liabilities. The Local Government Pension Scheme's assets are valued at fair value, and consist of the following categories, by proportion of the total assets held:

31st March 2017		Category	Quoted in Active markets	31st March 2018	
£000	%			£000	%
60,314	18.9%	Equities	Yes	62,097	18.7%
		Investment funds & Unit Trusts			
184,311	57.7%	Equities	No	191,298	57.6%
56,545	17.7%	Bonds	No	53,817	16.2%
8,467	2.7%	Other	No	13,975	4.2%
8,113	2.5%	Property	No	8,015	2.4%
1,582	0.5%	Cash accounts	No	2,710	0.8%
0	0.0%	Alternatives	No	0	0.0%
319,332	100.0%	Total		331,910	100.0%

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

Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits		Local Government Pension Scheme	Teachers Unfunded Discretionary Benefits
2016/17 £000	2016/17 £000		2017/18 £000	2017/18 £000
254,271	0	As at 1st April	319,333	0
0	0	Settlement costs	0	0
8,894	0	Interest on plan assets	8,306	0
10,270	481	Employers contributions	10,465	463
2,836	0	Contributions by scheme participants	2,937	0
56,125	0	Gains / (losses) on remeasurement of assets	3,536	0
0	0	Administration expenses of plan assets	0	0
(13,063)	(481)	Benefits paid	(12,667)	(463)
319,333	0	As at 31st March	331,910	0

The Movement in Fund Liability

(436,585)	(5,911)	As at 1st April	(531,153)	(5,417)
(11,106)	0	Current service cost	(19,610)	0
(77)	0	Past service (cost) / gain (including curtailments)	(199)	0
0	0	Settlement gains	0	0
0	0	Curtailment costs	0	0
(15,286)	(199)	Interest on pension liabilities	(13,930)	(135)
(2,836)	0	Contributions by scheme participants	(2,937)	0
(78,326)	212	Gains / (losses) on remeasurement of liabs	10,676	19
13,063	481	Benefits paid	12,667	463
0	-	Effect of business combinations & disposals	0	-
(531,153)	(5,417)	As at 31st March	(544,486)	(5,070)

There were £1,106,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2017 £1,039,000 was payable) and £5,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£1,000 at 31 March 2017).

Of the £544,000,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2018, there are £4,813,000 of unfunded liabilities (£5,088,000 as at 31st March 2017). £354,000 of employer contributions were made in respect of these liabilities during the year.

14.9 Summary of the movement in assets and liabilities

Over the five years ending the 31 March 2017, the fund's actuaries have estimated that the Authority had the following assets and liabilities:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Local Government Pension Scheme					
Present value of scheme liabilities	(349,554)	(422,166)	(436,585)	(531,153)	(544,485)
Fair value of scheme assets	232,758	259,755	254,271	319,333	331,910
Surplus / (deficit) in the scheme	(116,796)	(162,411)	(182,314)	(211,820)	(212,575)
Teachers Unfunded Discretionary Benefits					
Present value of scheme liabilities	(5,082)	(5,003)	(5,911)	(5,417)	(5,070)
Fair value of scheme assets	0	0	0	0	0
Surplus / (deficit) in the scheme	(5,082)	(5,003)	(5,911)	(5,417)	(5,070)
Total					
Present value of scheme liabilities	(354,636)	(427,169)	(442,496)	(536,569)	(549,555)
Fair value of scheme assets	232,758	259,755	254,271	319,333	331,910
Surplus / (deficit) in the scheme	(121,878)	(167,414)	(188,225)	(217,236)	(217,645)
Year on year increase in net liability (or deficit)					(409)

There is a small increase in combined net liability of £409,000 from 1 April 2017 to 31 March 2018 resulting from several large movements not fully offsetting. The net liability increased due to Current & Past service costs being £8.9m higher than contributions paid in year and also due to the impact of the interest cost incurred on the scheme liabilities £14.1m. The net liability reduced due to £8.3m of Interest being earned from invested assets and due to the scheme assets & liabilities both being remeasured beneficially by a total of £14.2m. The high Current Service cost was as a result of the discount rate at the start of the year reducing which increases the present value of funding future pension payments.

15 NOTES TO THE CASH FLOW STATEMENT

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

2016/17 (Restated) £000		2017/18 £000
2,424	Net (surplus) or deficit on the provision of services	24,096
	Non-cash transactions:	
(11,864)	Depreciation of non-current assets	(10,915)
(141)	Impairment and downward valuations	(11,173)
(153)	Amortisation of intangible non-current assets	(160)
234	Increase/decrease in impairment for provision for bad debts	(67)
(64)	Increase/(decrease) in inventories	(108)
9,629	Increase/(decrease) in debtors	797
(1,255)	(Increase)/decrease in creditors	361
(1,695)	(Increase)/decrease in provisions	(420)
(7,023)	Pension liability	(14,640)
(17,367)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(941)
133	Movement in the value of investment properties	(1,982)
	Items classified in another classification in the cash flow statement	
(781)	Other payments for investing activities	(2,854)
13,431	Other receipts from investing activities	6,352
0	Other payments for financing activities	(31)
16,677	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,784
2,186	Net cash flows from Operating Activities	(8,902)

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:

2016/17 £000		2017/18 £000
	Returns on Investments received:	
(72)	Interest received	(155)
(19)	Other interest and investment income	(24)
	Servicing of Finance paid:	
3,029	Interest paid	2,624
22	Interest element of finance lease rental payments	21
2,960		2,466

15.3 (Increase)/decrease in Cash and Cash Equivalents

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

	At 31st March 2017	In Year Movement	At 31st March 2018
	£000	£000	£000
Current Assets			
Cash held by the Authority	221	98	319
Bank current accounts	1,820	(1,820)	0
Short-term call account deposits	4,457	2,578	7,035
Current Liabilities			
Bank current account overdrafts	(30)	(744)	(774)
Total	6,468	112	6,580

16 OTHER NOTES TO THE ACCOUNTS

16.1 Members Allowances

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

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

2016/17 £000		2017/18 £000
578	Basic allowance	575
182	Special responsibility allowance	197
36	Travel allowance	28
4	Subsistence allowance	3
800	Total	803

16.2 Audit Costs

The Authority has incurred the following costs during 2017/18 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:

2016/17 £000		2017/18 £000
176	Fees payable to the appointed auditor with regard to external audit services - financial audit	176
103	Fees payable to the appointed auditor with regard to external audit services - Local Government Measure	103
50	Fees payable to the appointed auditor for certification of grant claims & returns	55
329	Total	334

16.3 S31 and S33 Pooled Budget Arrangements

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

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

a) Mardy Park Rehabilitation Scheme

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

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

During the 2017/18 financial year the previous Mardy Park agreement has been revisited and redrafted to incorporate the service redesign undertaken. The site at Mardy Park has undergone significant redesign within the past year to accommodate ever changing service demands and provide an integrated Health and Social Care hub within North Abergavenny. Mardy Park now offers a multi-functional facility to allow for a more reactive based centre, providing high quality rehabilitation, respite and reablement to offer rapid hospital discharge, freeing up pressure on Delayed Transfers of Care and early hospital discharge. The site offers a facility to host a number of clinics to the community.

The income and expenditure for the pooled fund arrangements for the financial year ended 31st March 2018 was:

2016/17 £000		2017/18 £000
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	Funding	
(209)	Monmouthshire County Council	(258)
(157)	Monmouthshire Local Health Board	(177)
(366)	Total Funding	(435)
	Expenditure	
235	Employee related	303
46	Premises related	85
0	Transport related	1
21	Supplies & Services	37
46	Agency & Contracted	94
15	Central and Support services recharges	0
15	Capital Financing	0
378	Total Expenditure	520
12	Net (Under)/over spend	85

b) Gwent Integrated Community Equipment Store (GWICES)

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

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

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £3,295,000 (£3,216,000 for 2016/17) and gross income of £3,295,000 (£3,216,000 for 2016/17) for the financial year ended 31st March 2018. Monmouthshire County Council's contribution for the year was £307,000 (£286,000 for 2016/17).

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

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

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

Aneurin Bevan University Health Board is the host for the Partnership, who recorded gross expenditure of £3,433,000 (£3,317,000 for 2016/17) and gross income of £3,312,000 (£3,253,000 for 2016/17) for the financial year ended 31st March 2018. Monmouthshire County Council's total contribution for the year was £1,022,000 (£989,000 for 2016/17).

d) Gwent Frailty Programme

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

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

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

Caerphilly County Borough Council is the host for the Partnership, who recorded gross expenditure of £15,484,000 (£14,982,000 for 2016/17) and gross income of £15,467,000 (£15,438,000 for 2016/17) for the financial year ended 31st March 2018. Monmouthshire County Council's total contribution for the year was £1,286,000 (£1,291,000 for 2016/17).

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 11.7 and 11.8 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 2017/18 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 Resources, Head of People Services & Information Governance have no pecuniary interests.

The Chief Executive was the Acting Returning Officer and Electoral Registration Officer for Monmouthshire during 2017/18 and held the following position during the year:

- Non Executive Director of Innovationpoint (a wholly owned Welsh Government Subsidiary)
- Clerk to the Lord Lieutenancy of Gwent
- Honorary Visiting Professor, University of Cardiff

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

- Chair of the Innovation Advisory Council for Wales

The Chief Officer for Social Care & Health held the following position during the year:

- Independent Member of Aneurin Bevan Unitary Health Board

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

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

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

2016/17 Debtors	2016/17 Creditors		2017/18 Debtors	2017/18 Creditors

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£000	£000		£000	£000
0	194	Dragon Waste Limited	0	128
During the year the following payments & receipts with these related parties arose as follows:				
2016/17 Payments £000	2016/17 Receipts £000		2017/18 Payments £000	2017/18 Receipts £000
1,383	36	Dragon Waste Limited	2,354	36

16.5 Trust Funds

The Council acts as sole or custodian trustee for a number of trust funds. The funds do not represent assets of the Council and they have not been included in the Consolidated Balance Sheet. The below balances are based upon unaudited figures for the year ended 31st March 2018:

	Income £000	Expend £000	Assets £000	Liabilities £000
Welsh Church Act Fund	(207)	192	5,631	(145)
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.				
Llanelly Hill Social Welfare Centre	(4)	3	93	(25)
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.				
Chairman's Charity	(5)	5	2	(2)
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:				
Monmouthshire Farm School Endowment	(27)	30	724	(2)
Appointeeship - Personal Monies	(1,896)	1,971	930	(1,005)
Appointeeship - Independent Living Fund Monies	(286)	274	62	(50)

16.6 Related Businesses and Operations

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 companies and operations, it is deemed that the interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information.

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 2017.

31st March 2016		31st March 2017
£000 Final		£000 Draft
(1,483)	Net Assets/(Liabilities)	(1,203)
(146)	Profit/(Loss) before Taxation	(87)
(121)	Profit/(Loss) after Taxation	(87)
0	Dividends	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

Payments of £2,353,677 were made to Dragon Waste Limited during 2017/18 (£1,378,740 during 2016/17).

The Authority owed £128,313 to Dragon Waste Limited at the 31st March 2018 (£194,383 owed to Dragon Waste as at 31st March 2017) in respect of Waste Management contract income.

Further information can be found in Dragon Waste Limited Financial Statements for the year ended 31 March 2016 which are available from the Company Secretary, Pennon Group Plc, Peninsula House, Rydon Lane, Exeter, Devon, England, EX2 7HR.

SRS Public

The Authority entered into a public sector collaborative arrangement, known as the Shared Resource Service, with Torfaen County Borough Council (TCBC) and Gwent Police Authority in May 2011, Newport City Council and Blaenau Gwent Borough Council have joined the partnership subsequently. The arrangement has resulted in a Shared Resources Centre (SRC) being set up for the purpose of providing IT services to each member authority. A memorandum of understanding is in place to provide robust governance arrangements. The arrangement is not a separate legal entity and ownership of the SRS premises resides with TCBC. The arrangement is funded by core contributions from partners, income from desk licences and rack rentals from schools and external income. Monmouthshire's payments to SRS amounted to £3.795m in 2017/18, with the Council's core contribution totalling £2.11 million.

SRS activities for 2017/18 involved a combined gross expenditure budget of £15.1 million.

The Authority owed £149,626 to SRS Public at the 31st March 2018 (£44,526 owed as at 31st March 2017).

SRS Business Solutions Limited

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

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 2018.

31st March 2017		31st March 2018
£000 (Restated)		£000 Draft
104	Net Assets/(Liabilities)	206
20	Profit/(Loss) before Taxation	20
16	Profit/(Loss) after Taxation	16
0	Dividends	0

There were no transactions between Monmouthshire County Council and SRS (BS) during 2017/18 (nil in 2016/17).

Further information can be found in SRS Business Solutions Limited financial statements for the year ended 31 March 2017 which are available from the Head of Finance, Monmouthshire County Council, County Hall, Rhadyr, Usk, NP15 1GA.

Y Prentis

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

The Company's latest available trading results are the financial statements for the period ending 30th September 2017.

The company is exempt from audit under section 477 of the companies act 2006 for the financial year ending September 2017.

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30th Sept 2016		30th Sept 2017
Final		£000 Draft
262	Total Assets/(Liabilities)	288
75	Profit/(Loss) before Taxation	32
60	Profit/(Loss) after Taxation	26
0	Dividends	0

There were no transactions between Monmouthshire County Council and Y Prentis during 2017/18 (nil in 2016/17).

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 2018.

31st March 2017		31st March 2018
£000 Final		£000 Draft
308	Total Assets/(Liabilities)	210
105	Profit/(Loss) before Taxation	(104)
105	Profit/(Loss) after Taxation	(104)
0	Dividends	0

Payments of £502,877 were made to the EAS during 2017/18 (£589,189 during 2016/17).

There were no balances owing to/from the EAS at 31st March 2018 (nil at 31st March 2017).

Gwent Archives

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

The Company's latest available trading results are the draft estimates for the period ending 31st March 2018.

31st March 2017		31st March 2018
£000 Final		£000 Draft
293	Total Assets/(Liabilities)	287
49	Profit/(Loss) before Taxation	(6)
49	Profit/(Loss) after Taxation	(6)
0	Dividends	0

Payments of £182,244 were made to Gwent Archives during 2017/18 (£182,244 during 2016/17).

There were no balances owing to/from Gwent Archives at 31st March 2018 (nil at 31st March 2017).

Gwent Crematorium

The five local Councils of Monmouthshire, Caerphilly, Blaenau Gwent, Torfaen and Newport are included in the Gwent Crematorium Service. The integrated service provides crematorium services to the public relating to the area it serves.

The Company's latest available trading results are the draft estimates for the period ending 31st March 2018.

31st March 2017		31st March 2018
£000 (Restated)		£000 Draft
2,590	Total Assets/(Liabilities)	3,241
487	Profit/(Loss) before Taxation	598
487	Profit/(Loss) after Taxation	598
0	Dividends	0

Payments of £138,375 were received from Gwent Crematorium during 2017/18 (£138,375 during 2016/17).

There were no balances owing to/from Gwent Crematorium at 31st March 2018 (nil at 31st March 2017).

Project Gwyrdd

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

The Company's latest available trading results are the draft estimates for the period ending 31st March 2018.

31st March 2017		31st March 2018
£000 Final		£000 Draft
328	Total Assets/(Liabilities)	343
24	Profit/(Loss) before Taxation	15
24	Profit/(Loss) after Taxation	15
0	Dividends	0

Payments of £32,000 were made to Project Gwyrdd during 2017/18 (£32,000 during 2016/17).

There were no balances owing to/from Project Gwyrdd at 31st March 2018 (nil at 31st March 2017).

City Deal

On 1st March 2017 the £1.2 billion Cardiff City Region City Deal between the UK Government, the Welsh Government and the 10 constituent councils in South East Wales, which includes Monmouthshire, was formally ratified. The investment is over a 20 year period and the key aim of the fund is to create 25,000 new jobs by 2036 and lever £4 billion of private sector investment.

The CCRD Investment Fund comprises two distinct elements:-

- £734 million – METRO scheme. This will comprise £503 million of Welsh Government funding provided over the first seven years from 2016/17 to 2022/23; £106 million from the European Development Fund, (which is committed and guaranteed following Brexit by both UK and Welsh Government); and £125 million from UK Government. This element will be the sole responsibility of Welsh Government.

- £495 million – Regional Cabinet Fund, comprising the ten constituent councils' commitment to borrow £120 million over the 20 year period of the Investment Fund, together with £375 million from the UK Government. This fund will be used for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCRD Regional Cabinet. The Council will make a 6.1% contribution to the £120 million based on its proportion of the regional population.

As part of the original January 2017 report certain matters were reserved to the constituent Councils and the most significant was in respect of the business plan. This was approved by all Councils in March 2018. The Cardiff Capital Region City Deal made its first investment during 2017/18 and Monmouthshire's contribution was £1,487,240 and was paid on 29 March 2018 to the Accountable Body.

16.7 Interests in Joint Operations

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.

For 2017/18 it is deemed that the interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts (See note 16.6 for further information).

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 2018						
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	112,211	0	0	112,211	23,676	135,888
Chief Officer - Children and Young People	79,581	0	0	79,581	16,792	96,373
Chief Officer - Enterprise	89,783	0	0	89,783	18,596	108,378
Chief Officer - Social Care and Health	82,408	0	0	82,408	17,388	99,796
Chief Officer - Resources	80,103	0	0	80,103	16,131	96,234
Head of Operations	62,363	0	0	62,363	13,159	75,521
Head of Finance and Section 151 Officer	72,107	0	0	72,107	15,215	87,322
Head of People	69,818	0	0	69,818	14,732	84,550
Monitoring Officer, (Head of Legal Services)	72,107	0	0	72,107	15,215	87,322
Total	720,480	0	0	720,480	150,902	871,382

Year ended 31st March 2017						
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	111,100	0	0	111,100	23,442	134,542
Chief Officer - Children and Young People (Apr-Jan)	66,819	35,000	0	101,819	14,265	116,084
Interim Chief Officer - Children and Young People (Feb-March), also Head of Strategic Partnerships	72,989	0	0	72,989	15,401	88,390
Chief Officer - Enterprise	85,369	0	0	85,369	18,013	103,382

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Chief Officer - Social Care and Health	81,592	0	0	81,592	17,216	98,808
Chief Officer - Resources (June-March), also Head of Commercial and People Development (Apr-May)	76,399	0	0	76,399	15,154	91,553
Head of Operations	61,745	0	0	61,745	13,028	74,774
Head of Finance and Section 151 Officer	71,393	0	0	71,393	15,064	86,457
Head of Democracy and Regulatory Services (Apr-May), becoming Head of People	67,521	0	0	67,521	14,247	81,768
Monitoring Officer, also Head of Legal Services	70,359	0	0	70,359	14,846	85,205
Total	765,287	35,000	0	800,287	160,676	960,963

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

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

Employers' pension contributions were paid at a rate of 21.1% of pensionable pay for staff within the Local Government Pension Scheme (21.1% for 2016/17). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2017/18 (Nil in 2016/17).

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 2017/18, the median employee position has been calculated as £21,962, equating to spinal point 24 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.11:1

In 2016/17, the median employee position was calculated as £21,057, equating to spinal point 23 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5.28:1

16.9 Officers' Emoluments

The number of employees whose remuneration was £60,000 or more in bands of £5,000, during the year ended 31st March 2018, was:

2016/17		Remuneration Band	2017/18	
Number of employees	(Of which are teaching staff)		Number of employees	(Of which are teaching staff)
0	0	£115,000 - £119,999	0	0
1	0	£110,000 - £114,999	1	0
2	1	£105,000 - £109,999	3	3
2	1	£100,000 - £104,999	0	0
0	0	£95,000 - £99,999	1	0
0	0	£90,000 - £94,999	0	0
2	1	£85,000 - £89,999	3	2
4	2	£80,000 - £84,999	4	1
1	1	£75,000 - £79,999	2	1
9	3	£70,000 - £74,999	7	4
10	6	£65,000 - £69,999	12	7
8	5	£60,000 - £64,999	10	6
39	20	Total	43	24

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 2016/17) and 16.4% of pensionable pay for staff within the Teachers' Pension Scheme (16.4% in 2016/17).

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.

2016/17			Exit package Cost band	2017/18		
No. of Compulsory Redundancies agreed	No. of other departure costs agreed	Total Cost of Exit Packages in each payband £000's		No. of Compulsory Redundancies agreed	No. of other departure costs agreed	Total Cost of Exit Packages in each payband £000's
38	3	331	£0 - £20,000	35	4	370
11	3	391	£20,001 - £40,000	14	1	473
1	0	43	£40,001 - £60,000	3	0	130
0	1	65	£60,001 - £80,000	0	1	80
0	0	0	£80,001 - £100,000	1	0	81
1	0	119	£100,001 - £150,000	0	0	0
51	7	949	Total	53	6	1,134

16.11 Events after the Balance Sheet date

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

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. No such unadjusting events have been identified subsequent to the balance sheet date.

17 STATEMENT OF ACCOUNTING POLICIES

17.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018.

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 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

17.2 Accounting Standards issued not yet adopted

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. The main new or amended standards within the 2018/19 Code are IFRS 9 and IFRS 15, but they are not expected to have a material impact on the information provided in the 2017/18 and 2018/19 financial statements, and transitional reporting arrangements mean that restatement of the 2017/8 accounts will not be required. However, the following information is provided as background:

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, and a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39.

IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition, but as the Council has relatively predictable income streams the impact will be minimal.

17.3 Accruals of Income and Expenditure

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

17.4 Cash and Cash Equivalents

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

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

17.5 Charges to Revenue for Non-Current Assets

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

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

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

17.6 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out 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 and the impact of the decision for Britain to leave the European Union remains unclear. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired.
- 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 2017/18 was 24% (16% for 2016/17).

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

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

The items in the Authority's Balance Sheet at 31st March 2018 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	The Council has included provisions for known insurance claims as at 31st March 2018. The value of these claims is based on information provided by our Insurance brokers on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. However the outcome of these cases is still uncertain as outstanding legal cases and negotiations remain on going.	The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The provisions in place and the balance on the insurance and risk management reserve at 31st March 2018 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.7(a) & 13.7(b) provide further information on the types of claims the Authority is exposed to.
Arrears	At 31st March 2018, the Authority had a balance of £7.03m (£7.38m as at 31st March 2017) 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 £2.82m (£2.92m as at 31st March 2017) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, there would be a consequential increase in the impairment of doubtful debts.

17.8 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

- The Liabilities of the pension fund attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates, employee turnover rates, etc., and projections of earning for current employees.
- Liabilities are discounted to their value at current prices, using a single discount rate which is derived from the spot rates on a selection of AA rated corporate bonds of various durations which match the liabilities within the Authority's pension fund. This is known as the yield curve approach.
- The assets of the Greater Gwent (Torfaen) Pension Fund attributable to the Authority are included in the balance sheet at their fair value as determined by the Fund's actuary.
- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Interest on plan assets – this is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.

- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Gains or losses on remeasurement – changes in the net pensions liability (Liabilities less assets) that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Discretionary Benefits

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

17.9 Events After the Balance Sheet Date

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

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

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

17.10 Exceptional Items

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

17.11 Financial Instruments

Financial Liabilities

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.

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.

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.

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.

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

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.

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.

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.

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.

17.12 Government Grants and Contributions

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

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

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

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

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

17.13 Heritage Assets

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

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

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

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

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

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

17.14 Intangible Assets

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

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

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

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

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

17.15 Inventories and Long Term Contracts

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

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

17.16 Investment Property

Investment properties are 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.

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.

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.

17.17 Fair value measurement

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

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

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

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

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

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

17.18 Joint Operations

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

17.19 Leases

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

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

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

The Authority as Lessee - Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Authority as Lessee - Operating Leases

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

The Authority as Lessor - Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

The Authority as Lessor - Operating Leases

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

17.20 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2017/18 (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.

17.21 Property, Plant and Equipment

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Components

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

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

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

Disposals and Non-current Assets Held for Sale

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

Assets held for Sale Assets are assets where the:

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

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

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

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

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

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

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

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

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

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

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

17.23 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

17.24 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

17.25 Reserves

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

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

17.26 Revenue Expenditure Funded from Capital under Statute

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.

17.27 VAT

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.