

MONMOUTHSHIRE COUNTY COUNCIL

AUDITED STATEMENT OF ACCOUNTS

2021/22



monmouthshire
sir fynwy

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1 NARRATIVE REPORT

1.1 Introduction

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

Key facts about Monmouthshire



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

The majority of the Council's administrative and political functions are carried out at County Hall at The Rhadyr, near Usk, Monmouthshire.

Political and management structure

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

Following the Local Government elections in May 2022, there are 46 locally elected councillors representing 39 Monmouthshire wards who sit on the various committees of the Council, with the current political make-up of the Council being 22 Labour; 18 Conservative; 5 Independent; 1 Green Party.

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

Social Care, Health & Safeguarding

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

Children & Young People

Schools and Early Years provision, Standards and Resources.

Chief Executive's Unit

Policy, Scrutiny & Customer service

People & Governance

People, Democratic services, Emergency planning.

Resources

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

Communities & Place

Business growth & enterprise, Facilities & Fleet, Neighbourhood services, Planning & housing, Highways & flooding.

Monlife

Leisure, Youth & Outdoor Adventure, and Countryside & culture.

Corporate

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

1.2 Financial Performance for the Year

Revenue Budget for 2021/22

The net revenue budget of £178.2m was financed from council tax, government grants, business rates & fees and supplemented by charges for services. The Council has a good track record of managing within approved budgets and has carefully managed its services during the year despite the extraordinary ongoing financial pressures. As a result of significant unbudgeted Welsh Government grants that were communicated to and received by the Authority late in the financial year and that have offset core budget funding, the Council generated a surplus of £5.621m which was used to replenish earmarked reserves, and ensure a level of financial resilience to deal with service pressures and the wider policy commitments that will shape future service delivery.

Welsh Government continued to support Local Government through the Local Government Hardship Fund for the extraordinary additional costs & loss of income incurred in dealing with the pandemic response.

Further details on the outturn position are provided in the July 2022 outturn report to Cabinet.

| | Revised Budget | Actual | Variance |
|--|------------------|------------------|-----------------|
| | £000 | £000 | £000 |
| Net Expenditure: | | | |
| Net cost of services (as per internal management reporting) | 170,085 | 166,744 | (3,341) |
| Attributable costs – Fixed Asset Disposal | 30 | 234 | 204 |
| Interest and Investment Income | (134) | (318) | (184) |
| Interest Payable and Similar Charges | 3,736 | 3,399 | (337) |
| Charges Required Under Regulation | 6,404 | 6,391 | (13) |
| Borrowing Cost Recoupment | (3,619) | (3,710) | (91) |
| Capital Expenditure Financing | 185 | 185 | (0) |
| Earmarked Contributions to/(from) Reserves | 1,493 | 1,493 | (0) |
| Net Revenue Budget | 178,180 | 174,417 | (3,763) |
| Financed by: | | | |
| General government grants | (69,679) | (71,049) | (1,370) |
| Non-domestic rates | (32,018) | (32,018) | - |
| Council tax | (83,636) | (84,190) | (554) |
| Council Tax Benefit Support (included in NCS) | 7,152 | 7,219 | 67 |
| Net Financing Budget | (178,180) | (180,038) | (1,858) |
| Council Fund (surplus)/deficit - Non-Schools | 0 | (5,621) | (5,621) |
| Council Fund (surplus)/deficit - Schools | 1,556 | (3,536) | (5,092) |
| Council Fund (surplus)/deficit - Total | 1,556 | (9,157) | (10,713) |

The net cost of services in the table above of £166.74m is reported on a management accounting basis, i.e. the same basis as the budget reports to Cabinet during the year. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) on page 33 of £179.61m 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 these figures reconcile.

Level of general and specific reserves/balances

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

| Reserves & balances | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 |
|----------------------|-----------------|-----------------|-----------------|
| Council Fund Balance | 8,906 | 8,906 | 10,527 |
| School Balances | (435) | 3,418 | 6,955 |

| | | | |
|--|---------------|---------------|---------------|
| Earmarked Reserves | 6,383 | 10,671 | 16,115 |
| Total Usable Reserves & balances available for Revenue Purposes | 14,854 | 22,995 | 33,597 |

Schools: In a similar manner to the general revenue activities of the Council, Schools also received significant one-off Welsh Government support in dealing with the impacts of the Covid pandemic and recovery during 2021/22. The following table summarises the schools balances position by school type:

| School Balances | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 |
|-----------------|-----------------|-----------------|-----------------|
| Comprehensives | (931) | 554 | 2,253 |
| Primaries | 347 | 2,838 | 4,622 |
| Other | 149 | 26 | 79 |
| Total | (435) | 3,418 | 6,955 |

Capital expenditure & financing

In addition to revenue spending the Council also spent £25.2m on its assets which is detailed below along with the corresponding finance streams:

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| | Expenditure | |
| 393 | Schools modernisation programme | 1,328 |
| 9,482 | Infrastructure | 11,599 |
| 2,755 | Asset management schemes | 3,036 |
| 1,638 | Other | 1,752 |
| 926 | Inclusion schemes | 954 |
| 0 | ICT schemes | 644 |
| 2,509 | Regeneration schemes | 4,088 |
| 1,003 | Vehicles | 1,809 |
| 18,706 | Total Expenditure | 25,210 |
| | Financing | |
| (1,042) | Capital receipts | (3,448) |
| (5,859) | Borrowing and Finance Lease Commitments | (6,503) |
| (11,553) | Grants and Contributions | (15,025) |
| (252) | Revenue and Reserve Contributions | (234) |
| (18,706) | Total Financing | (25,210) |

Significant capital receipts

The most significant capital receipts received in 2021/22 were £2m for the disposal of Hilston Park; £1m for three County Farm holdings and £0.4m for Gilwern Old School. All other receipts totalled £0.6m. The Council currently ring fences all capital receipts to support ongoing capital investment priorities in line with its Corporate plan.

Revaluation and disposals of non-current assets

The Council has a policy of revaluing all Land & Building assets every five years on a rolling programme. During 2021/22 the valuations included Community Centres, Corporate Facilities, Hubs & Public Contact Centres and Recreational Spaces. The programme for subsequent years is as follows:

- 2022/23 – Primary Schools, Recreational Spaces, Nurseries & Playgroups and Cemeteries
- 2023/24 – Comprehensive Schools, Corporate Facilities Car Parks and Community Centres

In addition to the assets individually revalued a program of indexation has been undertaken on the remaining Land & Building assets to uplift values. Significant inflation in recent years increases the risk of that the carrying values of non-revalued assets may be materially different to the current value. This has been addressed by uplifted asset values in line with the relevant movements in the BCIS' All In Tender Price Index.

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

During the year the value of our non-current assets has increased from £389.9m to £413.4m, arising from recognising the in-year asset expenditure of £21.8m; the rolling programme of revaluations increasing their held value by £12.7m, additional Land & Building uplift of £8.4m ; depreciation of £(13.0)m; impairment of £(5.9)m; and book value of disposals of £(0.5)m.

Borrowing arrangements and sources of funds

The Council's overall borrowing, on a principal valuation basis, totalled £176.23m as at 31st March 2022 (£183.46m as at 31st March 2021), comprising of the following:

| 31st March 2021 £000 | | 31st March 2022 £000 |
|-------------------------------|---------------------------|-------------------------------|
| 74,647 | Public Works Loan Board | 87,358 |
| 13,812 | Market Loans & Bank loans | 13,812 |
| 5,062 | Welsh Government | 6,031 |
| 86,944 | Local Government bodies | 66,025 |
| 3,000 | Special Purpose Vehicle | 3,000 |
| 183,466 | Total borrowing | 176,226 |

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 2021/22 (including amounts raised for Police and Community Councils) was £1,785.68 (£1,717.44 in 2020/21) for properties in valuation Band D. We collected 97.4% in year of the total due (96.6% 2020/21). Our collection rate for Non-Domestic Rates was 99.1% in 2021/22 (92.8% in 2020/21). During the year £80,000 Council Tax and £11,000 Non-Domestic Rates' debts were written off (£54,000 and £27,000 in 2020/21).

Pension Liabilities

We are required to state the cost of paying retirement pensions when we become committed to the costs, not when we actually pay them. An Actuary is used to estimate the figure for Monmouthshire and 2021/22 shows a net liability of £259,212,000 (£306,704,000 in 2020/21).

There is a decrease in the combined net liability of the Greater Gwent pension funds of £47,492,000 from 1 April 2021 to 31 March 2022. This has resulted from an increase in the value of scheme assets alongside a decrease in the value of scheme liabilities. The movement in liabilities relate to changes in financial assumptions (e.g. increased inflation, decreased discount rate, increased longevity/age presumptions).

The date of the latest actuarial valuation was 31 March 2022 and this will inform the updated the employers' contribution rates from 1st April 2023 until 31st March 2026. Further details are given in section 14 of the notes to the Accounts.

1.3 The Financial Outlook

2022/23: In setting its 2022/23 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 2.95%, which increased the annual band D charge by £42.32 to £1,476.79 (excluding amounts raised for Police and Community Councils). It also approved £10.1m of budget mitigation measures to ensure that the approved budget is balanced.

In respect of the Council's forward capital programme this has been constructed to principally support the Schools modernisation programme, Disabled Facilities Grants, Asset management and Infrastructure, with £136m (including contributions to the Cardiff Capital Region City Deal (CCRCD) initiative) budgeted to be spent from 2022/23 to 2025/26.

The Medium Term: The medium term prognosis is still of concern with the current Medium Term Financial Plan (MTFP) indicating a funding gap of £13m over the next three years based on indicative Welsh Government funding settlements, and prior to recognising updated demands upon services. Demand led cost pressures continue to increase in areas such as Children's services, Adult Social Care, Children's additional learning needs and Transport. Alongside this, the risks presenting in the wider economic environment are expected to place upward pressure on our pay budgets over the medium term.

It is also important to recognise the impact of the current economic environment with global economies having been hit hard by the pandemic, the impact of the ongoing conflict in Ukraine and the continuing resolution of Brexit agreements. All of these will inevitably impact upon future public spending and Local Government settlements.

Covid-19 Impact

The continuing response and recovery from the impact of the pandemic required the Council to incur significant additional expenditure, for example, costs relating to infection control measures, safeguarding the public and employees and support for elderly and vulnerable residents. In addition, income losses have also been substantial, during the period where services either have been closed or have experienced significant reductions in demand or footfall due to conditions experienced.

During the year Welsh Government continued to provide significant one-off funding support to mitigate these additional costs and income losses, through the Hardship fund and via specific grant funding. Welsh Government have been clear that this one-off support ended on 31st March 2022 and there therefore remains a significant budgetary risk for the Authority to carry into 2022/23 in light of a period of significant economic uncertainty, extended national policy commitments, and the continuing legacy impacts of the pandemic upon service delivery.

The notable budgetary risks identified for 2022/23 and resulting from the legacy impact of the pandemic are:

- The pandemic has brought about Welsh Government policy change, significantly in the area of Homelessness, and where the funding picture still remains unclear;
- The continuing impact on the most vulnerable members of the County and the ongoing and additional support that this may require, notably in the areas of Social Care and Additional learning needs;
- Implications on demand levels for some of our income generating services such as Leisure facilities, Outdoor Education, Investment properties and Car parking;
- The risks presenting in the wider economic environment that are expected to place upward pressure on our pay budgets over the medium term;
- Supply chains continue to be radically disrupted.

In particular as we look towards 2022/23, the inflationary environment and the cost of living crisis in our communities is of significant concern and the ongoing support for the most vulnerable residents in our County will be a key service consideration.

In considering all of the above and in apportioning the outturn position the future financial stability of the Council was considered, alongside the potential additional unknown costs that could occur in dealing with post Covid-19 recovery, whilst also giving financial resilience to service areas to deal with service pressures and the wider policy commitments that will shape future service delivery.

Covid-19 Support provided

In working with all parts of the Welsh Public Sector, the Welsh Government provided significant one-off support to all areas through numerous funds which have been administered by the Council during the year. This has ranged from support to local businesses, additional payments to Care workers, those needing to self isolate, and for winter fuel support, as follows:

| Support fund | £000s |
|-------------------------|-------|
| Business Support Grants | 362 |

| | |
|---------------------------|--------------|
| NDR Relief grants | 1,474 |
| Care Workers Payments | 1,894 |
| Covid-19 Freelancer Grant | 18 |
| Self Isolation Payments | 1,002 |
| Winter Fuel Payments | 476 |
| SSP Enhancement | 147 |
| Total | 5,373 |

Cardiff Capital Region City Deal (CCRCDC)

The Council continues to be an active member of the Cardiff Capital Region City Deal initiative. In total this Council will make a 6.1% contribution to the £120 million project, with the percentage being based on its proportion of the regional population, and which will fund the annual costs of this investment. The development and management of the £120 million investment is the responsibility of the CCRCDC Regional Cabinet.

The revenue contribution required during the year was £71,263 (£67,870 in 2020/21). The capital contribution to the project was not required during 2021/22 (£122,862 in 2020/21) due to projects not being completed as planned.

The Authority has included its share of income, expenditure, assets, liabilities, reserves and cash flows relating to the arrangement within the single entity accounting statements and disclosures. Further details of the arrangement are outlined in note 16.6.

1.4 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:

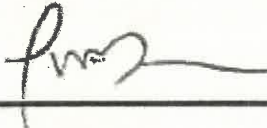
- The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital 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 2022. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.



Peter Davies
Deputy Chief Executive (S151 Officer)

16/02/23

Date

2 STATEMENT OF RESPONSIBILITIES

2.1 The Authority's Responsibilities

The Authority is required to:

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

2.2 The Section 151 Officer's Responsibilities

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

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

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

The Section 151 Officer has also:

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

APPROVAL OF STATEMENT OF ACCOUNTS

I certify that the accounts set out within sections 5 to 17 gives a true and fair view of the financial position of the Council as at the 31st March 2022 and its income and expenditure for the year ended 31st March 2022.



Peter Davies
Deputy Chief Executive (S151 Officer)

16/02/23

Date

Monmouthshire CC

Annual Governance Statement 2021/22

Final

November 2022

Executive Summary

The Statement itself demonstrates that Monmouthshire has appropriate governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. The Council has demonstrated that it has effective governance arrangements in place across the organisation which are continually improving, but also recognise that there is always further work to do.

Despite the recent pandemic the Council has managed to maintain the majority of its governance arrangements this year and has demonstrated it has sound and effective arrangements in place in the services it delivers and the crisis it had to deal with. The improvements noted in the 2019/20 & 2020/21 Action Plans have been addressed during the year (Appendix 1); the 2021/22 Action Plan is shown at Appendix 2. The Code of Corporate Governance was presented to the Council's former Audit Committee in June 2020 and presented to, and approved by Cabinet September 2021.

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

The Council is now required to self-assess its governance and performance as outlined in the Local Government and Elections (Wales) Act 2021. Any recommendations or actions from this Governance Statement for the Council to improve will be integrated into the Council's Annual Wellbeing and Self-Assessment Report.

- 1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework 2016' and Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2 The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. Progress against the 2019/20 and 2020/21 Action Plans are shown at Appendix 1.

Scope of Responsibility

- 3 Monmouthshire County Council (the Council) (MCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2011 and the Local Government and Elections (Wales) Act 2021 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 4 In discharging these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 5 The Council's financial management arrangements conform to the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)'.
- 6 The **Code of Corporate Governance**, which is consistent with the principles of the C.I.P.F.A. / S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government', (paragraph 10 below) was initially approved by Council in July 2011; the Code was revised and updated again in June 2020, approved by Cabinet September 2021. A copy of the Code is available from the Chief Internal Auditor. This statement explains how the Council has complied with the revised Framework and Guidance (2016) and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014. The revised Code sets out what governance arrangements are in place within Monmouthshire CC for each of the Governance Principles.

The Purpose of the Governance Framework

- 7 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 8 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, outcomes and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. Appropriate internal controls also ensure the Council's resources are utilised, and services are delivered efficiently, effectively and economically.

- 9 The governance framework has been in place at the Council for a number of years and continued to be in place for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

The Governance Framework

- 10 The Council's Corporate Governance is in line with the C.I.P.F.A. / S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government' principles:

Overarching requirements for acting in the public interest:

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

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

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

Wellbeing of Future Generations (Wales) Act 2015

- 11 Monmouthshire has to demonstrate it is compliant with the Well-being of Future Generations (WFG)(Wales) Act 2015 and this complements the way it functions in line with the above principles of good governance; the core behaviours being:

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

This needs to be applied to the five ways of working outlined in the 2015 Act. These five ways of working have to permeate all segments of delivering outcomes which, in turn, should ensure effective use of resources as the Council maximises its contribution to the economic, social, environmental and cultural well-being of Monmouthshire and Wales.

- Long Term
- Prevention
- Integration
- Collaboration
- Involvement

ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

| Monmouthshire Council priority goal (Well-being Objectives) | Contribution of Well-being Objectives to Well-being Goals | | | | | | |
|---|---|-----------------|-----------------|------------------|-------------------------------|---|----------------------------|
| | Prosperous Wales | Resilient Wales | Healthier Wales | More equal Wales | Wales of cohesive communities | vibrant culture and thriving Welsh Language | Globally responsible Wales |
| The best possible start in life. | ✓ | | | ✓ | | ✓ | |
| Lifelong well-being | ✓ | ✓ | | ✓ | ✓ | | |
| Maximise the Potential of the natural and built environment | ✓ | ✓ | | | ✓ | ✓ | ✓ |
| Thriving and well-connected county | ✓ | ✓ | | ✓ | ✓ | | ✓ |
| Future-focused Council | ✓ | ✓ | | | ✓ | | ✓ |

- 12 The key elements of the Council's governance arrangements are set out in its Corporate Plan 2017-2022, "A Monmouthshire that works for everyone" which was approved by Council in February 2018. A mid-term refresh was presented to Council in March 2020.
- 13 As part of the requirements of the Well-being of Future Generations (Wales) Act 2015 the Public Service Board (PSB) is focused on improving social, economic, environmental and cultural wellbeing, in accordance with the sustainable development principle. Public Service Boards have a planning responsibility to prepare and publish an assessment of local well-being, produce a local well-being plan and report annually on its progress.
- 14 The Public Service Board has approved four well-being objectives that underpin a clear purpose of "building sustainable and resilient communities".
- 15 An update on the emerging actions being developed to deliver the objectives contained in Monmouthshire's Well-being Plan was signed off by the PSB in April 2018. The Public Services Board Committee was renamed the Public Services Committee in March 2020 in order to scrutinise wider public service provision and where powers allow, to provide greater accountability of services delivered in collaboration or by external partners.
- 16 The PSB presented its annual report 2020/21, in July 2021 to the Public Services Scrutiny Committee. During 2021/22 Monmouthshire PSB merged with other local PSBs to form the Gwent PSB. There are plans to establish a Joint Scrutiny Committee for regional scrutiny of the Gwent PSB.

Coronavirus (Covid-19) Pandemic

- 17 The Coronavirus pandemic (WEF March 2020) had initially caused significant organisational disruption including new emergency responsibilities, increased staff absence and a requirement for staff to work from home (where possible) while continuing to ensure statutory services were maintained as expected. For the most part of 2021/22 the majority of office based staff continued to work from home. This statement assesses and concludes on the effectiveness of the governance arrangements in place during 2021/22.

- 18 In accordance with the Council's Corporate Emergency Management Plan (revised March 2019) an Emergency Response Team (ERT) was established along with a regional multi-agency Strategic Co-ordination Group (SCG) to deal with this pandemic. These groups started to meet on a daily basis during March 2020 and continued throughout 2020/21 and into 2021/22.
- 19 Once enacted, the Corporate Emergency Management Plan allowed for an emergency management structure and delegation of emergency powers to the ERT Gold Duty Officer in consultation with the Leader of the Council.
- 20 The pandemic has impacted on the Council's delivery of services as some staff were diverted to front line duties to ensure that critical services were prioritised. There have also been new areas of activity as part of the national response to Coronavirus for example providing emergency assistance to businesses in Monmouthshire.
- 21 There has been funding and logistical consequences of delivering the local government response. To ensure appropriate governance and accountability, these costs have been identified by staff and appropriately coded on the Council's Main Accounting System and reclaimed from Welsh Government.
- 22 In line with public health measures to mitigate the spread of Coronavirus and to enable the Council to focus on the delivery of critical services, all public meetings were initially suspended. This included Council meetings, meetings of full Cabinet and all committee and sub-committee meetings, including Select, Planning and Licensing. The Council felt it was important to re-instate public meetings as soon as it was safe to do so. Using appropriate technology, key meetings were held remotely which could be viewed by the public through live streaming or through You Tube channels later. MCC was the first Council in Wales to get its meetings back up and running.
- 23 Urgent decisions initially were made in accordance with the officer and Members' schemes of delegation as detailed in the Council's Constitution and urgent decision-making procedures.
- 24 As the use of technology came into operation, minimal Council meetings were cancelled; they were held remotely through live video links. Live streaming was enabled to ensure public access was available throughout.
- 25 Moving into 2021/22 Welsh Government restrictions eased. Covid 19 Recovery updates and Response and Progress continued to be reported through Cabinet.
- 26 During this time a series of interim coronavirus strategies were created. An evaluation of the Council's progress against its Coronavirus Strategic Aims was taken through Cabinet in June 2021 and December 2021.
- 27 As much as possible, the systems of internal control have continued to operate during the pandemic and subsequently into 2021/22. The Council's implementation of Office365 (Teams) has allowed the majority of employees to successfully work from home without major disruption.
- 28 In the Chief Internal Auditor's opinion, adequate assurance was obtained from the internal audit work undertaken during 2021/22 to enable him to issue an overall 'Reasonable' assurance audit opinion of the Council's internal controls, governance arrangements and risk management processes; this was achieved despite reduced resources within the Internal Audit team. 64% of the approved audit plan was completed against the target of 82%; 20 audit opinions were issued; with 2 *Limited Assurance* audit opinions issued. Further detail regarding the Internal Audit team's performance is included within the Internal Audit Annual Report 2021/22.
- 29 In conclusion, during 2021/22 the Coronavirus pandemic did not lead to significant internal control or governance issues which impacted on the overall review of effectiveness. This will be monitored during 2022/23 and reviewed as part of future Annual Governance Statements.

Review of Effectiveness

- 30** The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Strategic Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 31** The governance arrangements continue to be regarded as fit for purpose.
- 32** The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i) The Monitoring Officer presented the revised and updated Council Constitution to the Democratic Services Committee in January 2021 and to full Council in March 2021 with a further update May 2022;
 - ii) Periodic reviews of the financial controls including the financial procedure rules by the Chief Finance Officer (Head of Finance); financial procedure rules were approved by Council in September 2014; Contract Procedure Rules were reviewed and updated during 2020/21 and approved by full Council within the Constitution in March 2021;
 - iii) Whole Authority Strategic Risk Management Assessment and amendments to the Policy were approved by Cabinet in April 2021;
 - iv) Formal risk management and ongoing review of the processes involved reported through Governance and Audit Committee November 2021
 - v) The Governance and Audit Committee undertook a self-evaluation exercise towards the end of 2019/20; summary reported to Governance and Audit Committee June 2020;
 - vi) Annual Governance and Audit Committee report to Governance and Audit Committee July 2021 and Council September 2021;
 - vii) Code of Corporate Governance to Cabinet September 2021;
 - viii) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that agreed recommendations are implemented; reported through Governance and Audit Committee
 - ix) the work of the Council's Select and other Committees, including its Governance & Audit and Standards committees;
 - x) the opinions and recommendations of the Council's external auditors, following both financial audit work and per the Local Government Measure in regard to matters, including governance issues, which are considered for action and implementation and reported to Council, Cabinet and Governance and Audit Committee, as appropriate;
 - xi) The opinions and recommendations of other inspection, regulation and review agencies which are reported to Council, Cabinet, Select Committees and Governance and Audit Committee as appropriate. Governance and Audit Committee receives a regular report on the progress made with recommendations and proposals issued by Audit Wales.
 - xii) regular monitoring of performance against the Corporate Plan and service plans and of key targets, and reporting of this to senior management and members;
 - xiii) Corporate Plan update 2020/21 – Council September 2021;
 - xiv) Through the coronavirus pandemic establishing a series of interim strategies to provide clarity in direction and ensure accountability – to Cabinet June 2021 & December 2021
 - xv) Annual Safeguarding Evaluation Report– Council November 2021;
 - xvi) Estyn's report into Local Government Education Services in Monmouthshire County Council – Cabinet May 2020;
 - xvii) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Governance and Audit Committee.

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- xviii) Chief Officer for Children and Young People's Annual Report presented to Council June 2021; Chief Officer for Social Care, Safeguarding & Health's Annual Report presented to Council September 2021;;
- xix) Updated policies and strategies reported through Cabinet and Council

33 The following paragraphs review the effectiveness of the governance arrangements in Monmouthshire under the C.I.P.F.A. / S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government' 7 principles.

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

34 The Code of Conduct for Members and the protocol on Member / Officer relationships are set out in the Constitution, updated March 2021 & May 2022. The Council also has a local protocol for the self-regulation of Member conduct.

35 The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Members' Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members. The Standards Committee met 3 times during 2021/22.

36 Public Service Ombudsman Wales Annual Report (2020/21) was presented to Cabinet in November 2021.

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

| | 2019/20 | 2020/21 | 2021/22 |
|---------------------------------|----------|----------|----------|
| Not upheld | 2 | 1 | 2 |
| Referred to Standards Committee | 0 | 0 | 0 |
| Referred to Adjudication Panel | 0 | 0 | 0 |
| TOTAL COMPLAINTS CLOSED | 2 | 1 | 2 |

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

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

39 There were no successful "call-in" challenges to decisions on procedural grounds; 3 judicial reviews were commenced or dealt with at the pre-action stage in the previous year.

40 Policy and decision-making is facilitated through (i) Council and Cabinet; the meetings of which are open to the public and live streamed online except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation to committees and officers as set out in the Constitution: Four Scrutiny Committees (including the statutory Public Services Scrutiny Committee) and a separate Governance and Audit Committee review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness.

- 41 A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of March 2021/ May 2022 and provides parameters for effective executive and scrutiny relationships.
- 42 The Constitution is updated periodically by the Monitoring Officer; the latest update approved by Council was in May 2022. It can be found on the Council's website.
- 43 To ensure agreed procedures and all applicable statutes are complied with, the Monitoring Officer attends full Council meetings, Cabinet and SLT. To ensure sound financial management is a key factor in decisions, the Deputy Chief Executive and Chief Officer Resources (Interim Head of Finance) attends SLT, Cabinet and Council meetings.
- 44 The ethical governance framework includes:
- codes of conduct for officers and Members
 - a protocol governing Member/Officer relations
 - a whistle-blowing policy widely communicated within the Council
 - registers of personal and business interests for Members
 - declarations of interests for Chief Officers
 - an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied
 - equalities awareness training.
- 45 In accordance with the Local Government and Housing Act, 1989, the Monitoring Officer ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration. The Monitoring Officer has not issued a Section 5 report in 2021/22 or in the previous year, 2020/21.
- 46 All exemptions of the Contract Procedure Rules are reported through Governance and Audit Committee periodically. The Internal Audit team co-ordinates the exemption process in conjunction with strategic procurement.
- 47 The Governance and Audit Committee has the opportunity to call in senior managers during the year and challenge them on why a procurement process went outside the Council's normal tendering processes. There were no call-ins during 2021/22.
- 48 As a result of Covid-19 the Internal Audit Team was repurposed during most of 2020/21 to undertake extensive counter fraud activities on Welsh Government business grants and support TTP; a report was taken to Governance and Audit Committee explaining the situation, January 2021. This was a risk based decision in order to increase the confidence in counter fraud controls given the heightened fraud vulnerability. Although restrictions were still in place as the UK came out of the pandemic, the team managed to work through the audit plan for 2021/22 with 20 Internal Audit opinions being issued in the year; 2 audit jobs resulted in **Limited** assurance.
- 49 The overall opinion on the adequacy of the internal control environment for 2021/22 was **REASONABLE**. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The Internal Audit opinions issued in 2021/22 were as follows:

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| | 2019-20 | 2020-21 | 2021-22 |
|--|-----------|----------|-----------|
| Substantial Assurance (Very Good) | 2 | 2 | 5 |
| Considerable Assurance (Good) | 11 | 6 | 6 |
| Reasonable Assurance (Satisfactory) | 7 | 1 | 7 |
| Limited Assurance (Unsatisfactory) | 9 | 0 | 2 |
| Total | 29 | 9 | 20 |

- 50** Reasons why the outcome of the audit reviews which were deemed to provide Limited assurance have been, or will be, presented in a separate report to Governance and Audit Committee; assurances have been sought from respective operational managers that action will be taken to make the necessary improvements in control.
- 51** The Internal Audit team did not have a full complement of staff for the full year; the Auditor was seconded out of the team and was then successful with an internal promotion and the Audit Manager left the organisation in February 2022. Despite reduced resources, 64% of the 2021/22 audit plan was achieved, which was better than the previous year (57%). The Chief Internal Auditor's overall audit opinion is based on the number of audits undertaken and their individual opinions; he was able to give an overall opinion on the adequacy of the control environment but this was based on a limited number of opinions issued. The 2021/22 audit opinion was supported by the knowledge that there were appropriate governance, risk management and internal control assurances in place in previous years, with no significant changes. The Assistant Head of Finance continued to be covered by the Central Accountancy Finance Manager and Deputy Chief Executive & Chief Officer Resources.
- 52** The Internal Audit team continued to ensure its compliance with the Public Sector Internal Audit Standards (PSIAS). This was validated through a peer review process at the end of 2017/18; the outcome of which was that the team is compliant.
- 53** A Performance Framework is in place to ensure the ongoing economic, effective and efficient use of resources and for securing continuous improvement. This is supported by a range of mechanisms including collaborative working initiatives and reviews undertaken both internally and by the external auditors and inspectors. This framework works in conjunction with the Local Government Wales Measure 2009 & 2011. Performance and Improvement Objectives and the Council's wellbeing objectives were reported to Council in September 2021 through the Corporate Plan Annual Update 2020/21. Work is ongoing with the Council's Performance Framework to reflect new performance arrangements and duty established by the Local Government and Elections (Wales) Act 2021.
- 54** The strategies which support this Framework include the Asset Management Plan, People Strategy, Local Development Plan, Financial Plan, Digital Strategy, Economy & Enterprise Strategy which are delivered through service business plans and employee aims & objectives, evaluated and risk assessed.
- 55** Chief Officers and Heads of Service are accountable for ensuring that the Council Priorities are delivered and performance against key targets is regularly monitored via the performance management framework and is regularly reported to members via Scrutiny Committees.

Principle B: Ensuring openness and comprehensive stakeholder engagement

- 56 The agendas are published in advance of all meetings on the Council's website; corresponding minutes are published post meeting.
- 57 The scrutiny recommendations/outcomes from scrutiny activity are forwarded to Cabinet Members after each meeting. The scrutiny function has a 'Scrutiny Service Business Plan'. The plan is built into the Council's improvement framework. At Monmouthshire, scrutiny is undertaken by 4 Scrutiny Committees.
- People Scrutiny Committee
 - Place Scrutiny Committee
 - Public Services Scrutiny Committee
 - Performance and Overview Scrutiny Committee
- 58 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles. The Scrutiny Handbook and a Scrutiny and Executive Protocol have been developed to support Members to carry out their responsibilities effectively. The Scrutiny Handbook provides a guide for Members, officers and the public on the role and value of scrutiny and the website displays the Scrutiny Forward Work Programme and invites public submissions.
- 59 Social media, Twitter, Facebook and You Tube for example, is used to engage local people and communicate the corporate message. Scrutiny Committees hold a Public Open Forum on each agenda and the public can attend meetings remotely or in person and can also submit written, audio or video representations to Scrutiny Committees. They can also submit suggested topics for the scrutiny forward work programme via the Scrutiny Website www.monmouthshire.gov.uk/scrutiny. Chief Officers, Members and the Communications team are very proactive in engaging with the public.
- 60 Public engagement events and You Tube continued to be used in 2021/22 for the budget proposals. The Council has encouraged the community within Monmouthshire to actively contribute to making stepped changes to improve the way in which services are provided. This links back to the principles of the Well-being of Future Generations Act which sets out five ways of working including involvement.
- 61 In addition to regular internal communications, throughout the pandemic, and subsequently, the Chief Executive has extensively engaged with the public providing updates on essential Covid-19 related statistics and Council service provision.
- 62 In May 2018, Monmouthshire Public Services Board (PSB), adopted their Well-being Plan in line with the requirements of the Well-being of Future Generations (Wales) Act. The plan was informed by the Monmouthshire Well-being Assessment which sought the views of Monmouthshire residents and draws together findings from data, academic research and policy papers and the views of local people. This Plan was challenged publicly through Public Services Select Committee, July 2021. During 2021/22 several local PSBs merged to form the Gwent Public Services Board. A Gwent wide well-being assessment has been produced, including an assessment of well-being in Monmouthshire and local communities within the county, March 2022.
- 63 The "Our Monmouthshire" approach, which was essential to the Well-being Assessment is about all of us addressing the needs of the future as well as current generations. People in Monmouthshire were asked about "what's good in your community and what would make it better, now and in the future". The well-being assessment will also be used as evidence to inform the Council's Corporate Plan, making sure it addresses some of the really big challenges that Monmouthshire faces in coming years.
- 64 Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance and Audit Committee process before being endorsed by Cabinet and Council. All Council decisions, reports and questions asked by Members are available on the website. Financial information, Corporate Plan progress, Council activities, achievements, developments, updates and events were included on the Council's intranet and website, with all Council, Cabinet, Governance and Audit Committee and Select Committees live streamed. All public meetings of the

Council are live streamed and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business.

- 65 Individual Cabinet Members can make decisions under the scheme of delegation; agendas and decisions for all Cabinet Members are published on the Council's website.
- 66 The Council's website contains links to the following areas of open data in the interests of openness:

Data published by Monmouthshire County Council:

- List of expenditure over £500
- Our spend data as a useful dashboard
- Food Hygiene ratings
- Business property data set
- List of Primary Schools
- List of Secondary Schools

- 67 The Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive public engagement continued in 2021/22 for the 2022/23 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions, Cabinet Member YouTube video and open meetings. These were key to providing people with the opportunity to become informed; Cabinet January 2022.
- 68 Public engagement and consultation is key to the WFG Act; one of the five ways of working is Involvement. This along with the other ways of working is now considered in all relevant decision making reports for Cabinet and Council through an Integrated Impact Assessment, which includes a Future Generations Evaluation, Equalities and Sustainability Impact Assessment.
- 69 Implementing Open Government standards which enable us to effectively engage with our citizens and open up our data for anyone who needs to use it. Making the most of digitisation and digital inclusion to enable us to engage with people across our County.

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

- 70 The Council's five priority goals, which are also the Council's well-being objectives, are set out in its Corporate Plan 2017-2022, "A Monmouthshire that works for everyone" which was approved initially by Council in February 2018 and a refreshed version approved by Council in March 2020. The 2020/21 Corporate Plan annual report was presented to Council in September 2021. Building sustainable and resilient communities is the unifying purpose of the diverse range of services the Council delivers. This is shared with our partners on the PSB, which is responsible for setting well-being objectives for the County.
- 71 Monmouthshire County Council is a member of the Monmouthshire PSB (became Gwent PSB July 2021), where we work with other public services and the voluntary sector on the delivery of the local well-being plan. This includes countywide well-being objectives that are a focus for public services that are part of the PSB. Combining the ingenuity and initiative of all partners is key to finding new solutions to pressing, social, economic and environmental problems. This sense of 'power of the collective' is central to its core purpose, reflected in its values and embodied in its culture.

- 72** The Well-being Plan sets out the vision of the PSB. The four identified objectives are to:
- Provide children and young people with the best possible start in life
 - Respond to the challenges associated with demographic change
 - Protect and enhance the resilience of our natural environment whilst mitigating and adapting to the impact of climate change
 - Develop opportunities for communities and business to be part of an economically thriving and well connected county.
- 73** Under the Well-being of Future Generations (Wales) Act 2015 The Council has a responsibility to:
- Set and publish well-being objectives
 - Take all reasonable steps to meet those objectives
 - Publish a statement about well-being objectives
 - Detail arrangements to publish an annual report of progress
- 74** In March 2018 Council approved the Council's Corporate Plan 2017-2022, which incorporated the Council's well-being objectives, and endorsed the Area Plan. The well-being objectives bring together the latest evidence from the well-being assessment, policy and legislation and show how the Council strives to deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Well-being Objectives are incorporated within the Corporate Plan; the 2020/21 update was presented to Council September 2021.
- 75** The Corporate Plan Objectives for 2017 to 2022 are supported by service business plans to operationally deliver these objectives. Service plans are made available on the Council's Hub intranet site. These are quality assessed as part of the service planning process. All service plans were developed to align the delivery of the Council's Corporate Plan. Through the pandemic in 2020/21 the Council's established performance framework had been adjusted and prioritised in its application, where necessary, to reflect the Council's response and this continued into 2021/22. Through the coronavirus pandemic a series of interim strategies to provide clarity in direction and ensure accountability have been established— Cabinet June 2021 & December 2021. To support this, structures and mechanisms were put in place to track and evaluate progress.
- 76** Audit Wales presented its Certificate of Compliance for the audit of Monmouthshire's 2020/21 Improvement Plan to the Governance and Audit Committee in November 2021. It has carried out work with all councils on improvement assessment, the WFG Act, the service user perspective and scrutiny as well as some local work. It concluded that the Council meets its statutory requirements for continuous improvement and there are no formal recommendations.
- 77** Reports were taken through the select / scrutiny process during the year which included links to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents are available through the Council's website.
- 78** WFG Act continued to be a key theme and foundation through the reporting processes in 2021/22.
- 79** The Council continues to embrace the benefits of digital communications including social media use, for example "My Monmouthshire", which enables people to interact and transact with the Council using mobile devices. The Council's website includes more transactional functions. In 2018-19 the Council also launched a "chatbot" to further broaden the channels people can use to interact with their local authority. During 2021/22 there was extensive use of Twitter, Facebook and You Tube to raise awareness of forthcoming events, to provide live streaming of Cabinet, Council, scrutiny and other political meetings, to promote the activities and services provided and to show support and encouragement for community groups.
- 80** Enhancing the digital services with economic (effective and efficient processes aiding business interaction), environmental (less travel and print consumables) and social (digital customer centric services) continued to be a key aspect of improving services throughout 2021/22. Outcomes are measured via the Digital Programme Office Service plan and performance planning process.

- 81** To ensure the best use is made of resources and that taxpayers and service users receive excellent value for money, there are a number of mechanisms within the Council to support this. The Option appraisals now form part of the Cabinet report template. All IT investments are considered through SLT and then Cabinet before decisions are taken as required via Cabinet or Council.
- 82** Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year, June 2021, July 2021, December 2021, & March 2022. The budget management actions of Cabinet and senior officers are scrutinized regularly by the Performance and Overview Scrutiny Committee. The budget monitoring reporting cycle periodically contains some output measures and unit cost data, so that economic comparison of costs with other Councils can be made. Previously the Council has compared very favourably to others.
- 83** The MTFP process for 2022/23 to 2025/26 was reviewed and approved by Cabinet in December 2021. The Draft Capital Budget Proposals 2022/23 to 2025/26 were taken to Cabinet in January 2022. Draft Revenue Budget Proposals 2022/23 also went to Cabinet in January 2022. Final Proposals went to Cabinet before being approved by Council in March 2022. Ongoing scrutiny of the Council's budget position in line with the MTFP has provided Members with a greater understanding of the budget setting process and the pressures within individual directorates.
- 84** An authority-wide performance measurement system for the Council, the "data hub", hosted on the Council's intranet site continues to be updated. This enables Members and officers to track and monitor data in key strategic plans through "dashboards". This also allows performance to be compared against other council areas, where applicable. The "data hub" has been reviewed and streamlined to ensure information is up to date and focussed on the most pertinent performance data.
- 85** Audit Wales presented the Audit Wales Certificate of Compliance for the audit Monmouthshire County Council's assessment of performance for 2020/21 to Governance and Audit Committee in November 2021. This was an update on the current effectiveness of the Authority's performance management arrangements. Audit Wales concluded that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.
- 86** The Equality Impact Assessment and Sustainable Development checklists were revised and combined to align with the Future Generations Act. The "Integrated Impact Assessment" ensures the decisions the Council makes are carefully considered to take equality and sustainable development into account, this includes legislation that Monmouthshire County Council is subject to the Equality Act 2010, WFG Act and Welsh Language (Wales) Measure 2011. A range of these were undertaken during 2021/22 which have been published on the website accompanying decision making reports. The integrated checklist has been updated to ensure that new policy decisions are considered against the socio-economic duty which came into effect on 31 March 2021.
- 87** The Council has a long-standing commitment to equality and diversity and under the Equality Act 2010, has to produce a Strategic Equality Plan. The Council's third Strategic Equality Plan 2020-2024 sets the Council's objectives to ensure it delivers better outcomes for people with protected characteristics. An annual monitoring report for 2020/21 was produced and scrutinised by the former Strong Communities Select Committee in November 2021.
- 88** The Council has a Welsh Language Strategy for 2017 – 2022, which sets out a vision of how Welsh language will look in Monmouthshire in 5 years, and is accompanied by targets to help achieve that vision. Also the Welsh Language Monitoring Report 2020/21 was presented to the former Strong Communities Select in June 2021 to note compliance and progress made with the Welsh Language Standards allocated to Monmouthshire County Council. The Welsh Language Monitoring Report 2021/22 was presented to the new Performance and Overview Scrutiny Committee on 7th July 2022.

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

- 89** Monmouthshire is a partner in the South East Wales Consortium Schools Causing Concern protocol. This Policy forms a part of, and is aligned with, the National Model for School Improvement in relation to the informal support and challenge provided by the Local Authority (LA) to a school prior to any issuing of a warning notice or invocation of formal powers of intervention based on the six grounds for intervention. It also aligns with the Welsh Government (WG) Guidance on Schools Causing Concern (March 2016).
- 90** Contract Procedure Rules exemptions are normally reported to the Governance and Audit Committee every six months; July 2021. Managers are challenged in year to justify their procurement outside the Council agreed procedures.
- 91** Regular reporting into Cabinet, Scrutiny and Governance and Audit Committee enables the achievement of the Council's objectives to be challenged and appropriate actions put in place to address any identified issues so that the intended outcomes can be achieved. The Strategic Risk Register was reviewed by Governance and Audit Committee in November 2021. The Whole Authority Strategic Risk Assessment 2020/21 was also reported to Governance and Audit Committee (March 2021) and signed off by Cabinet April 2021. The new Strategic Risk Register will be scrutinised by the new Performance and Overview Scrutiny Committee on 29th September 2022.
- 92** Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. Out of 158 complaints received in 2020/21, 150 were resolved informally with 7 being formally investigated, 2 of which were referred the Ombudsman, with none formally investigated. 379 comments were received along with 204 compliments; (Governance and Audit Committee February 2022).

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

- 93** The Council's recruitment procedures provide equality of employment opportunities. The equality-assessed pay structure meets the requirements of the Single Status Agreement of 1997. The Single Status Collective Agreement was approved by Cabinet in September 2010. This is complemented by the People Strategy. The Pay Policy is approved annually by Council and is available on the MCC website.
- 94** Developing the digital capabilities of people and systems to enable effectiveness, efficiency and enhanced customer services is important within Monmouthshire and is measured via the Digital Programme Service Business Plan. To further enhance service delivery and better deal with cyber security / information risks the Digital Programme Office has been split into the Information Security and Technology Team and the Digital Design and Innovation Team.
- 95** There is continued support for Members' development through briefing sessions and other learning opportunities. A comprehensive training programme was developed for the intake of new Members following Council elections in May 2017. This will be reviewed and updated following the May 2022 elections.
- 96** There is also ongoing training and development which meets the needs of officers and Members through the corporate programme. Coaching and leadership skills training will be rolled out to all managers in due course. Check in, Check Out provides a value-based performance assessment approach between staff and line managers and aims to ensure employees have clear and effective understanding of their contribution to the objectives of their teams and subsequently the Council.

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- 97** A Scrutiny Member Development Training Programme is in place which provides ongoing specific skills based training for Members and includes scrutiny induction; this is agreed by the Scrutiny Chairs' Group. The training programme forms part of the Scrutiny Service Plan.
- 98** Appropriate and relevant job descriptions were in place for the Chief Executive, Strategic Leadership Team (SLT), Monitoring Officer and Head of Finance.

Partnerships/collaboration working

- 99** There is Council policy on information sharing along with numerous information sharing protocols with our partners; this is included within the Data Protection Policy. Information sharing is key to joined-up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales. Monmouthshire is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the General Data Protection Regulation 2018. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.
- 100** The Council ensures that it has appropriate governance arrangements around its collaborations with other public agencies and other third parties. These can take a range of forms, from informal arrangements to those where governance arrangements are determined through legislation. The governance arrangements form a key part of the decision making processes that the Cabinet or Council follow when deciding to enter a collaborative arrangement, transparent local accountability is a key area of focus.
- 101** As a key example of our commitment to effective governance, arrangements have been developed for the PSB Select Committee; the Public Services Scrutiny Committee from March 2020.
- 102** The Community & Partnership Development Team was developed in order to help build sustainable and resilient communities that support the wellbeing of current and future generations in Monmouthshire which is a shared purpose with the public service board partners. The Team work with communities and partners to help bring about social change and improve the quality of life in the county. The team act as enablers, unlocking potential and supporting sustainability through collective impact; providing a resource and tangible link between local communities and a wide range of partners; enabling the delivery of measureable and sustainable programme of activities that will constantly look to the future. The team will ensure MCCs statutory duties are fulfilled across the partnerships landscape.

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

- 103** There are robust arrangements for effective internal financial control through the Council's accounting procedures and financial regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to Members comparing actual revenue and capital expenditure to annual budgets. The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Procedures for tendering and contract letting are included in the Contract Procedure Rules and Financial Procedure Rules. The Council's Treasury Management arrangements follow professional practice, are subject to regular review and are contained in the Treasury Management Strategy approved by Council each year.
- 104** In July 2017 Audit Wales reported to Governance and Audit Committee that the "Council has a clear strategic approach for significant service changes, although better information would help Members when deciding the future shape of the Council" (Good Governance when Determining Significant Service Changes report, March 2017).
- 105** Audit Wales presented its Certificate of Compliance for the audit of Monmouthshire's 2020/21 Improvement Plan to the Governance and Audit Committee in November 2021 and concluded that the Council is meeting its statutory requirements.

- 106** The Anti-Fraud, Bribery and Corruption Strategy was revised and updated during 2017/18. It was approved by Cabinet July 2017 and provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention. An Annual risk assessment on fraud and corruption is presented to Governance and Audit Committee. The Council's Council Tax Reduction Anti-Fraud Policy was approved by Cabinet in June 2015. A training package has been developed and was previously presented to Governance and Audit Committee (January 2020). This needs to be further rolled out across the Council.
- 107** The Governance and Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management arrangements. The Governance and Audit Committee also considers corporate governance, monitors the work of auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for reviewing the Annual Statement of Accounts and its associated reports (which include this statement) before approval by Council. The Governance and Audit Committee has an independent, non-political, Chairperson who prepares an annual report of the work of the Governance and Audit Committee.
- 108** Internal Audit operate to the standards set out in the 'Public Sector Internal Auditing Standards' which have been developed from the Institute of Internal Auditors (IIA) International Internal Auditing Standards which came into effect in April 2013. The team's role and status is set out in the Council's Internal Audit Charter (revised and updated approved by Governance and Audit Committee September 2021). The Chief Internal Auditor reports a summary of audit findings to the Governance and Audit Committee each quarter; he also reports annually an opinion on the overall adequacy and effectiveness of the Council's internal control environment through his Internal Audit Annual Report.
- 109** The Chief Internal Auditor continues to ensure Internal Audit complies with the Public Sector Internal Audit Standards. A self-assessment was undertaken during 2017/18 to assess compliance with the Standards which was validated as compliant in March 2018 by an external assessor, the Chief Internal Auditor of Neath Port Talbot Council.
- 110** The Council has an objective and professional relationship with its external auditors and statutory inspectors. It manages its information resource through strategies and policies to enable effective decision making which is managed via the Information Strategy and action plan.

Risk management

- 111** The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2019; progress was reported into Governance and Audit Committee in November 2021. The policy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing high level strategic risks to the Council's priorities, services and major projects. The risk controls necessary to manage them are identified and monitored to ensure risk mitigation.
- 112** Within the Council the purpose of risk management is to:
- preserve and protect the Council's assets, reputation and staff
 - aid good management of risk and support whole authority governance
 - aid delivery of its population outcomes internally and when working with partners
 - improve business performance and anticipated risks in delivering improvements
 - avoid unnecessary liabilities, costs and failures
 - shape procedures and responsibilities for implementation.

The strategic risk assessment ensures that:

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

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

- 113** The Council's Strategic Risk Assessment for 2021/22 contained 16 risks. These were reviewed throughout the year with the latest version was presented to Governance and Audit Committee in November 2021. The majority were rated initially as medium risks. Following mitigation there was 1 low risk, 8 medium risks and 7 high risks.

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

- 114** The South East Wales Education Achievement Service (EAS) Business Plan 2022-25 was presented to Cabinet in March 2022. The plan sets out the priorities, programmes and outcomes to be achieved by the EAS on behalf of the South East Wales Consortium.

- 115** The updated People Strategy was endorsed by Cabinet in July 2018; this is the overarching framework for People and Organisational Development which supports its role in ensuring the organisation is equipped with the collective capacity, capability and mindset to meet financial and improvement challenges and respond to opportunities that present

- 116** The Council's first Commercial Strategy was endorsed by Cabinet in July 2018; the purpose of this report was to present for approval the Council's first Commercial Strategy and accompanying action plan. The strategy builds upon aspects of the Procurement, Digital and Asset Management Strategies and is a key means through which the Council can play a role in the self-determination of its future viability and sustainability.

- 117** In September 2019, the updated Digital Infrastructure Action Plan was approved by Cabinet. In June 2021 Cabinet approved the creation of a new Digital Design and Innovation Team to strengthen information governance arrangements and include data analytics.

- 118** There have been significant developments in technology in the last 4 years, and the experience, data and evidence collected from the Council's customers about the way they wish to engage and transact with the Council has informed this new strategy. The workforce needs to have the digital knowledge and skills to build in end to-end automated customer services and business processes. There is a need to reduce demand through self-service facilities and provision of accurate, relevant data and information that people can use with confidence to make decisions.

- 119** Continued improvements have been made to cyber security arrangements since the onset of Covid-19 which has increased digital working methods.

- 120** In July 2018, the Council's latest iteration of its Procurement Strategy was approved by Cabinet. The Strategy builds upon workshop sessions undertaken with the Economy and Development Select Committee and the aims, aspirations and priorities for procurement, identified throughout the participative process. In July 2021 Cabinet approved the collaboration with Cardiff Council, for mutual benefit, the discharge and provision of the Council's Strategic Procurement services.

- 121** Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance and Audit Committee process before being endorsed by Council. All public meetings of the Council, including Council, Cabinet, Select, Governance and Audit Committee, Planning Committee are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting, which provides greater transparency of the Council's business.

- 122** The Council's enabling strategies have been revised to align to the delivery of the corporate plan, these include the Digital Strategy, People Strategy and Asset Management Strategy as well as linking in with Service Business Plans.
- 123** The Governance and Audit Committee continues to support the Internal Audit team and endorses its annual report and plan. The plan details the work and service areas the team will cover based on a risk assessment in order to provide assurance on the adequacy of the internal controls, governance arrangements and risk management process. The Governance and Audit Committee presents its Annual report to Council.
- 124** The Whole Authority Report complaints, comments and compliments 2020/21 was presented to Governance and Audit Committee in February 2022 which identified the number and types of feedback received and dealt with from 1 April 2020 until 31 March 2021.

Information Governance

- 125** Monmouthshire restructured its Information Security and Governance offering from June 2021 in response to an increase in digital working and to maintain cyber resilience to protect its information. The Council continues to ensure training and awareness of governance issues is focussed on high risk service departments as well as through continuous updates and Information Security training events. This is to ensure compliance with the General Data Protection Regulation May 2018- specifically following the "12 Steps to Compliance" as recommended by the Information Commissioner's Office (ICO). A structured approach to information security and governance is operated internally via the Information Governance Group chaired by the Senior Information Risk Officer (SIRO) as well as through collaboration with the wider SRS partners providing the technology infrastructure. GDPR Operational Leads have been established, along with Digital Champions linking in with teams, individuals and volunteers to ensure compliance and messages are communicated.
- 126** Monmouthshire has a dedicated intranet site for general advice as well as assistance with GDPR legislative requirements, including templates for privacy notices, records of processing activities (ROPA's) and Data Processing Impact Assessments (DPIA's).
- 127** To keep the public informed, the Council has now published its online privacy notices for relevant service areas. Significant work was undertaken through 2021/22 to consolidate and update all privacy notices to make them more transparent and sustainable to maintain. A comprehensive list of all data systems is maintained centrally along with information audits for every service area, linking into the ROPA's.
- 128** The Corporate GDPR Policy is on the public website for clarity. Related policies will be updated accordingly by relevant lead officers, so that they satisfy GDPR requirement. Links are in place to work with the South East Wales Information Forum (SWIF) and WARP (Warning Advice and Security Point) on a regular basis to share best practice. Good housekeeping is encouraged as is continuous improvement to mitigating against the risk of harm to individuals, although it is recognised further work is required to back date data cleansing tasks which require considerable capacity.

Main areas for Improvement

- 129** The Council will continue to monitor and review its governance arrangements and identify any gaps. These will be addressed during the year to further strengthen governance in Monmouthshire County Council:
- Deliver awareness raising training sessions on the importance of compliance with new and revised Contract Procedure Rules and Financial Procedure Rules;
 - Raise awareness across the Council on Anti-Fraud, Bribery & Corruption.
 - Self-assess the Council's objectives and arrangements as required by the Local Government and Elections (Wales) Act 2021.

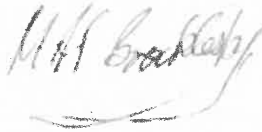
Action Plan 2020/21 & 2021/22

130 Appendix 1 shows how the 2020/21 Action plan areas for improvement have been addressed during 2021/22.

131 The Action Plan for 2021/22 is shown at Appendix 2.

Monitoring & Evaluation

132 We propose over the coming year to continually review our governance arrangements to ensure they remain effective and appropriate. Steps will be taken, where appropriate, to further enhance our governance arrangements.



Signed:

7th December 2022

Councillor Mary Ann Brocklesby

Leader



Signed:

7th December 2022

Paul Matthews

Chief Executive

Progress against the Action Plan 2020/21

| Governance Principle | Area for Improvement | Progress |
|--|--|---|
| Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | Continue to deliver training sessions on the importance of compliance with the new and revised Contract Procedure Rules and Financial Procedure Rules; | Internal Audit have continued to deliver training sessions within schools and on the manager's induction programme. Internal Audit will work with the new procurement partnership to ensure the revised and updated CPRs are rolled out across MCC. |
| Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | The Code of Corporate Governance was last approved by Council in July 2011. This will need to be updated and approved in line with Delivering Good Governance in Local Government Framework 2016' | Outstanding. The Code of Corporate Governance has been updated and was presented to Governance and Audit Committee in June 2020. This now needs formal Cabinet approval. Update: Approved by Cabinet September 2021. |
| Principle F: Managing risks and performance through robust internal control and strong public financial management | The Council will work through the Audit Wales proposals for improvement in the following areas: <ul style="list-style-type: none"> ▪ Scrutiny: Fit for the Future? ▪ Review of Asset Management ▪ Information Management ▪ Whole Authority review of children's safeguarding | A corporate plan has been developed that sets out a clear direction for the Council up to 2022. The role and purpose of service planning has been reviewed and a revised process established aligned to the corporate plan. Council's enabling strategies have been revised to align to the delivery of the corporate plan, these include the Digital Strategy, People Strategy and Asset Management Strategy The Council's Strategic Risk Management Policy was updated April 2021. |

Action Plan 2021/22

| Area for Improvement | Progress |
|---|----------|
| Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules | |
| Raise awareness across the Council on Anti-Fraud, Bribery & Corruption | |
| Self-assess the Council's objectives and arrangements as required by the Local Government and Elections (Wales) Act 2021. | |

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

Opinion on financial statements

I have audited the financial statements of Monmouthshire for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Monmouthshire County Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Monmouthshire County Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other Information

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to

determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Monmouthshire County Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10 the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Council's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals.
- Obtaining an understanding of the Council's framework of authority as well as other legal and regulatory frameworks that the Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

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

Certificate of completion of audit

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



Adrian Crompton
Auditor General for Wales
20 February 2023

24 Cathedral Road
Cardiff
CF11 9LJ

| Movement In Reserves Statement for the Year Ended 31st March 2022 | | | | | | | | | |
|--|------|----------------------|--------------------|--------------------------|-----------------------|-------------------|---------------------------|----------------|------|
| | Note | Council Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Joint Arrangement - CCRCD | Total Reserves | £000 |
| Balance at 1st April 2020 | | 8,471 | 6,383 | 3,207 | 18,061 | (20,415) | 2,635 | 283 | |
| <i>Movement in reserves during 2020/21</i> | | | | | | | | | |
| Total Comprehensive Income and Expenditure | | (6,808) | - | - | (6,808) | (64,449) | 34 | (71,223) | |
| Adjustments between accounting basis & funding basis under regulations | 10.2 | 14,950 | | 6,373 | 21,323 | (21,323) | | - | |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | | 8,142 | - | 6,373 | 14,514 | (85,771) | 34 | (71,223) | |
| Transfers to/(from) Earmarked Reserves | 10.4 | (4,289) | 4,289 | | - | | | - | |
| Prior period adjustment: CCRCD | | | | | | | 29 | 29 | |
| Increase/(Decrease) in 2020/21 | | 3,853 | 4,289 | 6,373 | 14,514 | (85,771) | 62 | (71,194) | |
| Balance at 31st March 2021 carried forward | | 12,324 | 10,672 | 9,581 | 32,577 | (106,186) | 2,698 | (70,911) | |
| <i>Movement in reserves during 2021/22</i> | | | | | | | | | |
| Total Comprehensive Income and Expenditure | | (3,634) | - | - | (3,634) | 83,881 | 434 | 80,682 | |
| Adjustments between accounting basis & funding basis under regulations | 10.2 | 14,234 | - | (489) | 13,745 | (13,746) | | (0) | |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | | 10,600 | - | (489) | 10,112 | 70,136 | 434 | 80,682 | |
| Transfers to/(from) Earmarked Reserves | 10.4 | (5,444) | 5,444 | - | - | - | | 0 | |
| Increase/(Decrease) in 2021/22 | | 5,157 | 5,444 | (489) | 10,112 | 70,136 | 434 | 80,682 | |
| Balance at 31st March 2022 carried forward | | 17,482 | 16,115 | 9,092 | 42,689 | (36,050) | 3,133 | 9,773 | |

Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2022

| 2020/21 | | | | 2021/22 | | | |
|---------------------------|----------------------|-------------------------|---|---------|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Note | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| (Restated**) | | | | | | | |
| 77,070 | (17,822) | 59,248 | Children & Young People | | 78,687 | (20,707) | 57,980 |
| 79,142 | (24,684) | 54,459 | Social Care & Health | | 89,974 | (31,075) | 58,899 |
| 55,891 | (28,534) | 27,358 | Communities & Place | | 62,649 | (29,936) | 32,712 |
| 10,920 | (5,905) | 5,015 | Monlife | | 14,156 | (7,862) | 6,294 |
| 8,357 | (1,418) | 6,940 | Chief Executives Unit | | 4,170 | (1,107) | 3,063 |
| 0 | 0 | 0 | People & Governance | | 5,418 | (864) | 4,554 |
| 41,831 | (24,341) | 17,490 | Resources | | 41,749 | (26,946) | 14,803 |
| 2,350 | (3,023) | (673) | Corporate | | 3,005 | (1,562) | 1,443 |
| 288 | (448) | (159) | Cardiff Capital Region City Deal (CCRCDC) | | 385 | (528) | (142) |
| 275,850 | (106,173) | 169,677 | Cost of Services | 11.1 | 300,193 | (120,587) | 179,606 |
| | | | <i>Other operating expenditure:</i> | | | | |
| | | | <i>Precepts & Levies:</i> | | | | |
| 12,647 | 0 | 12,647 | Gwent Police Authority | | 13,451 | 0 | 13,451 |
| 4,584 | 0 | 4,584 | South Wales Fire & Rescue Authority | | 4,760 | 0 | 4,760 |
| 2,952 | 0 | 2,952 | Community and Town Councils | | 2,954 | 0 | 2,954 |
| 106 | 0 | 106 | National Parks | | 116 | 0 | 116 |
| 94 | 0 | 94 | Internal Drainage Boards | | 94 | 0 | 94 |
| 2,184 | (2,188) | (4) | Gains/losses on the disposal of non-current assets | | 2,868 | (2,713) | 155 |
| | | 20,378 | Total Other operating expenditure | | | | 21,530 |
| 17,984 | (13,127) | 4,857 | Financing and investment income and expenditure | 11.3 | 18,179 | (15,013) | 3,165 |
| | (7) | (7) | Interest & Investment income: CCRCDC | | | (10) | (10) |
| 464 | | 464 | Change in Fair Value of Investment Properties: CCRCDC | | 7 | | 7 |
| | | | <i>Taxation & non-specific grant income:</i> | | | | |
| 228 | (80,466) | (80,238) | Council Tax | 11.5 | 251 | (84,441) | (84,190) |
| 0 | (30,037) | (30,037) | Non-domestic rates redistribution | 11.5 | 0 | (32,018) | (32,018) |
| 0 | (77,988) | (77,988) | General government grants | 11.6 | 0 | (84,603) | (84,603) |
| | (275) | (275) | Recognised Capital Grants & Contributions: CCRCDC | | | (318) | (318) |
| | (57) | (57) | Tax Expenses: CCRCDC | | 30 | | 30 |
| | | 6,774 | (Surplus) or Deficit on Provision of Services | | | | 3,199 |
| | | | <i>Other Comprehensive Income and Expenditure:</i> | | | | |
| | | 201 | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | 12.1 | | | (12,204) |
| | | (327) | (Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income | | | | (13) |
| | | 64,575 | (Gains)/losses on remeasurement of pension assets / liabilities | 14.3 | | | (71,664) |
| | | 64,449 | Total Other Comprehensive Income and Expenditure | | | | (83,881) |
| | | 71,223 | Total Comprehensive Income and Expenditure | | | | (80,682) |

** Comparative year figures restated to reflect adjustment to final pension fund liability following review.

Balance Sheet as at 31st March 2022

| 31st March 2021 £000s | | Note | 31st March 2022 £000s |
|--------------------------|---|-------|--------------------------|
| (Restated**) | | | |
| 229,194 | Other land and buildings | 12.1 | 242,640 |
| 10,373 | Vehicles, plant, furniture and equipment | 12.1 | 11,097 |
| 73,613 | Infrastructure | 12.1 | 77,363 |
| 4,459 | Community assets | 12.1 | 4,528 |
| 2,015 | Assets under construction | 12.1 | 4,228 |
| 10 | Surplus assets not held for sale | 12.1 | 10 |
| 4,792 | Heritage Assets | 12.7 | 4,871 |
| 65,304 | Investment Property | 12.5 | 68,620 |
| 141 | Intangible Assets | | 88 |
| 1,362 | Long-Term Investments | 13.1 | 1,186 |
| 2,867 | Long Term Debtors | 13.5 | 3,657 |
| 394,129 | Long term assets | | 418,288 |
| 23,444 | Short Term Investments | 13.1 | 18,170 |
| 442 | Inventories | | 554 |
| 33,047 | Short Term Debtors | 13.5 | 41,993 |
| 19,158 | Cash and Cash Equivalents | 15.3 | 34,108 |
| 2,569 | Assets Held for Sale | 12.6 | 1,000 |
| 88 | CCRCD: Deferred Tax asset | | 82 |
| 78,748 | Current Assets | | 95,907 |
| (621) | Cash and Cash Equivalents | 15.3 | (1,680) |
| (98,595) | Short Term Borrowing | 13.1 | (71,903) |
| (36,405) | Short Term Creditors | 13.6 | (53,451) |
| (4,757) | Provisions | 13.7 | (4,492) |
| (140,377) | Current Liabilities | | (131,525) |
| (306,704) | Liability related to defined benefit pension scheme | 10.9 | (259,212) |
| (448) | Provisions | 13.7 | (671) |
| (84,871) | Long Term Borrowing | 13.1 | (104,324) |
| (2,760) | Long Term Creditors: CCRCD | | (1,553) |
| (2,377) | Other Long Term Liabilities | 13.1 | (2,250) |
| (4,214) | Capital Grants Receipts in Advance | 11.6 | (2,820) |
| (2,037) | Revenue Grants Receipts in Advance | | (2,068) |
| (403,411) | Long Term Liabilities | | (372,897) |
| (70,911) | Net Assets | | 9,773 |
| 12,324 | Council Fund Balance | 10.3 | 17,482 |
| 10,671 | Earmarked Reserves | 10.4 | 16,115 |
| 9,581 | Capital Receipts Reserve | 10.6 | 9,091 |
| 182 | Usable Reserves: CCRCD | | 891 |
| 32,758 | Usable Reserves | | 43,579 |
| 38,407 | Revaluation Reserve | 10.7 | 46,036 |
| (306,704) | Pensions Reserve | 10.9 | (259,212) |
| 166,592 | Capital Adjustment Account | 10.8 | 180,280 |
| 2,692 | Deferred Capital Receipts Reserve | 10.11 | 3,612 |
| (517) | Financial Instrument Adjustment Account | | (494) |
| (28) | Financial Instrument Revaluation Reserve | | (14) |
| (4,111) | Accumulating Absence Adjustment Account | 10.10 | (3,976) |
| 0 | Unusable Reserves: CCRCD | | (37) |
| (103,670) | Unusable Reserves | | (33,807) |
| (70,911) | Total Reserves | | 9,773 |

** Comparative year figures restated to reflect adjustment to final pension fund liability following review.

Cash Flow Statement for the Year Ended 31st March 2022

| 31st March 2021 | | 31st March 2022 |
|-----------------|---|-----------------|
| £000 | | £000 |
| 6,946 | Net (surplus) or deficit on the provision of services | 3,199 |
| (41,657) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (39,577) |
| 22,126 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 11,799 |
| (12,585) | Net cash flows from Operating Activities | (24,578) |
| 12,235 | Purchase of property, plant and equipment, investment property and intangible assets | 20,947 |
| 15,421 | Purchase of short-term and long-term investments | 15,000 |
| 0 | Other payments for investing activities | 0 |
| (7,415) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,958) |
| 236 | Proceeds from short-term and long-term investments | (20,558) |
| (9,811) | Other receipts from investing activities | (9,016) |
| 10,666 | Net Cash (Inflow)/Outflow from Investing Activities | 3,415 |
| | Financing Activities | |
| 15,504 | Repayments of short and long-term borrowing | 21,554 |
| 34 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 33 |
| (11,255) | Cash receipts of short and long-term borrowing | (14,315) |
| 0 | Other receipts from financing activities | 0 |
| 4,283 | Net Cash (Inflow)/Outflow from Financing Activities | 7,272 |
| 2,363 | Net (increase) / decrease in cash and cash equivalents | (13,891) |
| 20,902 | Cash and cash equivalents at the beginning of the reporting period | 18,538 |
| 18,538 | Cash and cash equivalents at the end of the reporting period | 32,428 |

**Notes to the Accounts
for the Year Ended
31st March 2022**

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 2020 £000 | Movement in Reserve £000 | Balance at 31st March 2021 £000 | Movement in Reserve £000 | Balance at 31st March 2022 £000 |
|---|-------|---|--------------------------------|--|--------------------------------|--|
| Usable Reserves: | | | | | | |
| Council Fund balance: Authority | 10.3 | 8,906 | 0 | 8,906 | 1,620 | 10,527 |
| Council Fund balance: LMS School Balances | 10.5 | (435) | 3,853 | 3,418 | 3,536 | 6,955 |
| Earmarked reserves | 10.4 | 6,383 | 4,288 | 10,671 | 5,445 | 16,115 |
| Capital Receipts Reserve | 10.6 | 3,207 | 6,373 | 9,581 | (489) | 9,091 |
| Usable Reserves: CCRCD | | 392 | (210) | 182 | 709 | 891 |
| Total Usable Reserves | | 18,453 | 14,304 | 32,758 | 10,822 | 43,579 |
| Unusable Reserves: | | | | | | |
| Revaluation Reserve | 10.7 | 41,523 | (3,116) | 38,407 | 7,629 | 46,036 |
| Capital Adjustment Account | 10.8 | 167,534 | (942) | 166,592 | 13,688 | 180,280 |
| Financial Instruments Adjustment Account | | (517) | 0 | (517) | 23 | (494) |
| Pension Reserve | 10.9 | (230,526) | (76,178) | (306,704) | 47,492 | (259,212) |
| Deferred Capital Receipts Reserve | 10.11 | 5,479 | (2,787) | 2,692 | 920 | 3,612 |
| Financial Instrument Revaluation Reserve | | (355) | 327 | (28) | 13 | (14) |
| Accumulated Absences Adjustment Account | 10.10 | (3,553) | (558) | (4,111) | 135 | (3,976) |
| Unusable Reserves: CCRCD | 16.6 | 2,243 | (2,243) | 0 | (37) | (37) |
| Total Unusable Reserves | | (18,171) | (85,498) | (103,669) | 69,863 | (33,807) |
| Total Authority Reserves | | 282 | (71,193) | (70,911) | 80,684 | 9,773 |

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 2021/22: | 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 | 18,781 | 0 | (18,781) |
| Charges for impairment of Heritage Assets | 79 | - | (79) |
| Revaluation movements on Property Plant and Equipment (charged to SDPS) | (5,800) | 0 | 5,800 |
| Revaluation movements on Assets Held for Sale (charged to SDPS) | (530) | 0 | 530 |
| Movements in the market value of Investment Properties | (3,607) | 0 | 3,608 |
| Amortisation and impairment of intangible assets | 54 | 0 | (54) |

| | | | |
|---|---------------|--------------|-----------------|
| Capital grants and contributions applied | (13,553) | 0 | 13,553 |
| Revenue expenditure funded from capital under statute | 1,932 | 0 | (1,932) |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 3,171 | 0 | (3,171) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | |
| Statutory provision for the financing of capital investment (MRP) | (6,369) | 0 | 6,369 |
| Capital expenditure charged against the Council Fund | (234) | 0 | 234 |
| Adjustments involving the Capital Receipts Reserve: | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | (3,702) | 2,958 | 744 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (3,448) | 3,448 |
| 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 | (22) | 0 | 22 |
| Adjustments involving the Pensions Reserve: | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 38,874 | 0 | (38,874) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (14,702) | 0 | 14,702 |
| 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 | (136) | 0 | 136 |
| 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 | 14,234 | (489) | (13,745) |

| Movements in 2020/21: | 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 | 17,719 | - | (17,719) |
| Charges for impairment of Heritage Assets | 1 | - | (1) |
| Revaluation movements on Heritage Assets | 0 | - | 0 |
| Revaluation movements on Property Plant and Equipment (charged to SDPS) | 2,503 | - | (2,503) |
| Revaluation movements on Assets Held for Sale (charged to SDPS) | 0 | - | 0 |
| Movements in the market value of Investment Properties | (2,412) | - | 2,412 |
| Amortisation and impairment of intangible assets | 79 | - | (79) |
| Capital grants and contributions applied | (10,265) | - | 10,265 |
| Revenue expenditure funded from capital under statute | 1,529 | - | (1,529) |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 4,593 | - | (4,593) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | |

| | | | |
|---|---------------|--------------|-----------------|
| Statutory provision for the financing of capital investment (MRP) | (6,075) | 0 | 6,075 |
| Capital expenditure charged against the Council Fund | (252) | - | 252 |
| Adjustments involving the Capital Receipts Reserve: | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | (4,628) | 7,415 | (2,786) |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | (1,042) | 1,042 |
| 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 | 0 | - | 0 |
| Adjustments involving the Pensions Reserve: | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 25,629 | - | (25,629) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (14,026) | - | 14,026 |
| 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 | 557 | - | (557) |
| 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 | 14,950 | 6,373 | (21,323) |

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 £3,418,000 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 2020 £000 | In Year Movement £000 | At 31st March 2021 £000 | In Year Movement £000 | At 31st March 2022 £000 |
|---|------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| Amount of Council Fund Balance held by Schools under Local Management Schemes | (435) | 3,853 | 3,418 | 3,536 | 6,955 |
| Amount of Council Fund Balance generally available for new expenditure | 8,906 | 0 | 8,906 | 1,621 | 10,527 |
| Total Council Fund Balance | 8,471 | 3,854 | 12,324 | 5,157 | 17,482 |
| Earmarked Revenue Reserves | 6,383 | 4,288 | 10,671 | 5,445 | 16,115 |
| Total Usable Reserves available for Revenue Purposes | 14,854 | 8,141 | 22,995 | 10,602 | 33,597 |

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 2021/22 can be summarised as follows:

| | At 1st April 2020 (Restat-ed) £000 | Transfer to Reserves £000 | Transfer from Reserves £000 | At 31st March 2021 (Restat-ed) £000 | Transfer to Reserves £000 | Transfer from Reserves £000 | At 31st March 2022 £000 |
|--|--|------------------------------|--------------------------------|---|------------------------------|--------------------------------|----------------------------|
| Invest to Redesign | 1,168 | 280 | (64) | 1,384 | 132 | (32) | 1,484 |
| Priority Investment | 405 | 1,500 | | 1,905 | | | 1,905 |
| Insurance and risk management | 935 | | | 935 | | (10) | 925 |
| IT Transformation | 254 | 600 | | 854 | 173 | (96) | 931 |
| Treasury equalisation | 990 | | (400) | 590 | | | 590 |
| Capital Investment | 627 | | | 627 | | | 627 |
| Redundancy and Pensions | 245 | 700 | (88) | 857 | | (88) | 769 |
| Capital Receipt Generation | 181 | 300 | (65) | 416 | | (51) | 365 |
| Other reserves | | | | | | | |
| Elections | 118 | 174 | | 292 | 35 | (28) | 299 |
| Museums acquisition | 53 | | | 53 | | | 53 |
| Solar Farm Maintenance & Community Fund | 64 | 23 | | 87 | 153 | | 240 |
| Castlegate | 80 | 233 | | 312 | 125 | | 437 |
| Newport Leisure Park | 62 | 126 | | 188 | 177 | | 365 |
| Sustainability - PV Invertor Replacement Reserve | 0 | 15 | | 15 | 50 | | 65 |
| Covid19 Reset Reserve: Social Care | 0 | | | 0 | 1,400 | | 1,400 |
| Covid19 Reset Reserve: Homelessness | 0 | | | 0 | 1,400 | | 1,400 |
| Covid19 Reset Reserve: Leisure Income | 0 | | | 0 | 300 | | 300 |
| Covid19 Reset Reserve: Pay Inflation | 0 | | | 0 | 900 | | 900 |
| Cost of Living Discretionary Payment Reserve | 0 | | | 0 | 499 | | 499 |
| SCH Electric Vehicle & Driving Lessons Reserve | 0 | | | 0 | 214 | | 214 |
| Covid19 Hardship Fund Equalisation Reserve | 0 | 819 | | 819 | | | 819 |
| Service Reserves: | | | | | | | |
| Local Resilience Forum | 198 | | | 198 | | | 198 |
| Grass Routes Buses | 156 | 5 | | 161 | 5 | | 166 |
| Schools sickness & maternity cover | 48 | | | 48 | 95 | | 143 |
| Youth Offending Team | 150 | | | 150 | | | 150 |
| Outdoor education centres | 0 | | | 0 | | | 0 |
| Building Control | 1 | | | 1 | 5 | | 6 |
| Rural Development Plan | 530 | 92 | | 621 | 72 | | 693 |
| Highways Plant & Equipment Replacement | 69 | 75 | (44) | 100 | 5 | | 105 |
| Homeless Prevention | 50 | 8 | | 58 | 10 | | 68 |
| Total | 6,383 | 4,950 | (661) | 10,671 | 5,750 | (306) | 16,115 |

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.

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.

Covid 19 Reserves - To mitigate future budget pressures in the areas of Social Care, Homelessness, Lesiure Income, Pay Inflation, and any remaining legacy pandemic impacts.

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

10.5 School Balances

The balance on the Council Fund includes £3,418,120 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 2020 | In Year Movement | At 31st March 2021 | In Year Movement | At 31st March 2022 |
|---------------------------------|----------------------|---------------------|-----------------------|---------------------|-----------------------|
| | £ | £ | £ | £ | £ |
| Comprehensives | | | | | |
| Caldicot | (179,693) | 409,100 | 229,408 | 578,377 | 807,785 |
| Chepstow | (63,570) | (23,231) | (86,801) | (38,133) | (124,934) |
| King Henry VIII | (225,700) | 423,196 | 197,496 | 558,635 | 756,131 |
| Monmouth | (462,530) | 676,722 | 214,192 | 600,066 | 814,258 |
| Sub Total Comprehensives | (931,493) | 1,485,787 | 554,294 | 1,698,946 | 2,253,240 |
| Primaries | | | | | |
| Archbishop R Williams | 83,716 | 122,680 | 206,397 | (35,075) | 171,322 |
| Cantref | 105,193 | 94,604 | 199,797 | 54,295 | 254,092 |
| Castle Park | 2,153 | 119,700 | 121,853 | 37,445 | 159,297 |
| Cross Ash | 64,157 | 18,313 | 82,470 | (2,715) | 79,755 |
| Deri View | 73,956 | 74,153 | 148,109 | 41,681 | 189,790 |
| Dewstow | 136,455 | 101,356 | 237,811 | 120,805 | 358,616 |

| | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| Durand | 12,691 | 65,193 | 77,884 | 27,095 | 104,979 |
| Gilwern | 64,549 | 102,302 | 166,852 | 64,103 | 230,955 |
| Goytre Fawr | 34,893 | 56,646 | 91,540 | 26,195 | 117,735 |
| Kymin View | 37,955 | 97,350 | 135,305 | (1,591) | 133,714 |
| Llandogo | (176,535) | 89,705 | (86,830) | 87,044 | 214 |
| Llanfair Kilgeddin CV | 0 | 0 | 0 | 0 | 0 |
| Llanfoist | 24,871 | 68,562 | 93,433 | 125,986 | 219,420 |
| Llantilio Pertholey | (21,016) | 88,231 | 67,215 | 42,483 | 109,698 |
| Llanvihangel Crucorney | 49,684 | 54,986 | 104,670 | 32,152 | 136,822 |
| Magor Vol Aided | (18,785) | 135,987 | 117,202 | 79,614 | 196,816 |
| New Pembroke Primary | 1,205 | 124,302 | 125,507 | 93,161 | 218,668 |
| Osbaston Church in Wales | (11,250) | 51,859 | 40,609 | 52,538 | 93,147 |
| Our Lady's & St Michael's Catholic Primary | 15,859 | 38,534 | 54,393 | 4,256 | 58,648 |
| Overmonnow | (33,928) | 75,032 | 41,104 | 121,366 | 162,470 |
| Raglan | (33,112) | 141,989 | 108,878 | 51,715 | 160,593 |
| Rogiet | (4,404) | 82,499 | 78,095 | 11,128 | 89,222 |
| Shirenewton | 128,890 | 47,356 | 176,246 | 63,046 | 239,291 |
| St Mary's (Chepstow) | (46,518) | 67,378 | 20,860 | 84,072 | 104,932 |
| The Dell | 3,032 | 45,378 | 48,410 | 98,429 | 146,839 |
| Thornwell | (47,150) | 112,037 | 64,887 | 45,735 | 110,622 |
| Trellech | 50,948 | 64,743 | 115,691 | 38,248 | 153,939 |
| Undy | (145,925) | 152,295 | 6,370 | 204,273 | 210,643 |
| Usk CV | 45,942 | 97,113 | 143,055 | 127,785 | 270,840 |
| Ysgol Gymraeg Y Fenni | (4,408) | 38,775 | 34,367 | 37,648 | 72,015 |
| Ysgol Gymraeg Ffin | (45,883) | 61,521 | 15,638 | 51,145 | 66,783 |
| Sub Total Primaries | 347,236 | 2,490,578 | 2,837,815 | 1,784,063 | 4,621,878 |
| Other | | | | | |
| Mounton House | 172,060 | (172,060) | (0) | 0 | (0) |
| Pupil Referral Unit | (22,931) | 48,943 | 26,012 | 53,454 | 79,466 |
| Sub Total Other | 149,129 | (123,117) | 26,011 | 53,454 | 79,465 |
| Total | (435,128) | 3,853,248 | 3,418,120 | 3,536,463 | 6,954,584 |

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.

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| 3,207 | Balance as at 1st April | 9,581 |
| 4,628 | Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2,680 |
| 2,787 | Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 278 |
| (1,042) | Less: use of the Capital Receipts Reserve to finance new capital expenditure | (3,448) |
| 9,581 | Balance as at 31st March | 9,091 |

10.7 Revaluation Reserve

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

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

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

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|--|-----------------|
| 41,523 | Balance at 1 April | 38,407 |
| 1,818 | Upward revaluation of assets | 13,523 |
| (2,019) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (1,319) |
| (2,336) | Difference between fair value depreciation and historical cost depreciation | (2,483) |
| (579) | Accumulated gains on assets sold or scrapped | (2,092) |
| 38,407 | Balance at 31 March | 46,036 |

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.

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|--|-----------------|
| 167,534 | Balance at 1 April | 166,592 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| (17,719) | Charges for depreciation and impairment of property, plant and equipment assets | (18,781) |
| 0 | Impairment of Heritage assets | (79) |
| (2,503) | Revaluation movements on Property, Plant and Equipment | 5,800 |
| 0 | Revaluation movements on Assets Held for Sale | 530 |
| (79) | Amortisation & impairment of intangible assets | (54) |
| (1,529) | Revenue expenditure funded from capital under statute | (1,932) |
| (4,013) | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (1,079) |
| 0 | Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | (176) |
| 2,336 | Adjusting amounts written out of the Revaluation Reserve | 2,483 |
| 2,518 | CCRCD CAA | (235) |

| | | |
|----------------|---|----------------|
| 1,042 | Use of the Capital Receipts Reserve to finance new capital expenditure | 3,448 |
| 10,265 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 13,553 |
| 6,075 | Statutory provision for the financing of capital investment charged against the Council Fund | 6,369 |
| 252 | Capital expenditure charged against the Council Fund | 234 |
| 2,412 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | 3,608 |
| 166,592 | Balance at 31 March | 180,280 |

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.

| 2020/21 £000 | | 2021/22 £000 |
|------------------|--|------------------|
| (Restated) | | |
| (230,526) | Balance at 1 April | (306,704) |
| (64,575) | Remeasurement gains or (losses) on pension assets and liabilities | 71,664 |
| (25,629) | 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 | (38,874) |
| 14,026 | Employer's pensions contributions and direct payments to pensioners payable in the year | 14,702 |
| (306,704) | Balance at 31 March | (259,212) |

10.10 Accumulated Absences Account

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

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| (3,553) | Balance at 1 April | (4,111) |
| 3,553 | Settlement or cancellation of accrual made at the end of the preceding year | 4,110 |
| (4,110) | Amounts accrued at the end of the current year | (3,973) |
| (1) | Share of CCRCD | (1) |
| (4,111) | Balance at 31 March | (3,976) |

10.11 Deferred Capital Receipts

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

The balance at the 31st March 2022 is primarily made up of £2.65m relating to the Old Abergavenny cattle market site disposed of under a finance lease and £1.0m relating to the phased receipts agreed for the disposal of the Hilston Park site.

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|--|-----------------|
| 5,479 | Balance at 1 April | 2,692 |
| 0 | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (102) |
| (2,787) | Transfer to the Capital Receipts Reserve upon receipt of cash | 1,022 |
| 2,692 | Balance at 31 March | 3,612 |

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).

| 2020/21 | | | | 2021/22 | | |
|--|--|-------------------------------------|---|--|--|-------------------------------------|
| 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 |
| 56,093 | 3,155 | 59,248 | Children & Young People | 57,494 | 486 | 57,980 |
| 51,327 | 3,132 | 54,459 | Social Care & Health | 52,658 | 6,241 | 58,899 |
| 18,360 | 8,997 | 27,358 | Enterprise | 19,523 | 13,190 | 32,712 |
| 3,328 | 1,688 | 5,015 | Monlife | 3,622 | 2,672 | 6,294 |
| 4,524 | 2,416 | 6,940 | Chief Executives Unit | 2,676 | 387 | 3,063 |
| 0 | 0 | 0 | People & Governance | 3,542 | 1,013 | 4,554 |
| 6,454 | 11,036 | 17,490 | Resources | 4,293 | 10,509 | 14,803 |
| 20,403 | (21,076) | (673) | Corporate | 22,937 | (21,494) | 1,443 |
| 0 | (159) | (159) | Cardiff Capital Region City Deal (CCRCDC) | 0 | (142) | (142) |
| 160,488 | 9,189 | 169,677 | Cost of Services | 166,744 | 12,862 | 179,606 |
| (160,489) | (2,415) | (162,903) | Other Income & Expenditure | (168,365) | (8,041) | (176,407) |
| (0) | 6,774 | 6,774 | Surplus or Deficit | (1,621) | 4,820 | 3,200 |
| (8,906) | | | Opening General Fund Balance | (8,906) | | |
| (0) | | | Surplus or Deficit on General Fund | (1,621) | | |
| (8,906) | | | Closing General Fund Balance | (10,527) | | |

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

| 2020/21 | | | | | 2021/22 | | | |
|--|---|---------------------------|---------------------------|-------------------------|--|---|---------------------------|---------------------------|
| 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 |
| 8,174 | 1,117 | (6,136) | 3,155 | Children & Young People | 2,668 | 3,398 | (5,580) | 486 |
| 1,049 | 2,239 | (156) | 3,132 | Social Care & Health | 1,164 | 5,855 | (778) | 6,241 |
| 6,162 | 1,953 | 883 | 8,997 | Enterprise | 7,573 | 4,987 | 630 | 13,190 |
| 1,584 | 595 | (491) | 1,688 | Monlife | 1,503 | 1,520 | (351) | 2,672 |
| 2,130 | 390 | (104) | 2,416 | Chief Executives Unit | 132 | 556 | (301) | 387 |
| | | | 0 | People & Governance | 97 | 620 | 296 | 1,013 |
| 2,864 | 549 | 7,623 | 11,036 | Resources | 1,593 | 1,048 | 7,868 | 10,509 |
| 0 | (609) | (20,467) | (21,076) | Corporate | 0 | (119) | (21,375) | (21,494) |

| | | | | | | | | |
|----------|--------|----------|---------|--|----------|--------|----------|---------|
| 0 | 0 | (159) | (159) | Cardiff Capital Region City Deal (CCRCDC) | 0 | 0 | (142) | (142) |
| 21,963 | 6,233 | (19,007) | 9,189 | Cost of Services | 14,731 | 17,865 | (19,734) | 12,862 |
| (16,649) | 5,370 | 8,865 | (2,414) | Other Income & Expenditure | (20,174) | 6,307 | 5,826 | (8,041) |
| 5,314 | 11,603 | (10,142) | 6,774 | Adjustments between the Funding & Accounting Basis | (5,443) | 24,172 | (13,908) | 4,820 |

11.2 Expenditure & Income analysed by nature

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

| 2020/21 | | 2021/22 |
|------------------|--|------------------|
| £000 | | £000 |
| (Restated) | | |
| 131,822 | Employee benefits expenses | 153,310 |
| 132,394 | Other services expenses | 143,089 |
| 24,198 | Depreciation, amortisation and impairment | 18,342 |
| 20,382 | Precepts & levies | 21,375 |
| 3,703 | Interest payments | 3,381 |
| 4,593 | Gain/loss on disposal of non-current assets | 3,407 |
| 317,091 | Total Expenditure | 342,903 |
| (48,320) | Fees, charges & other service income | (60,088) |
| (239) | Interest and investment income | (343) |
| (110,560) | Income from council tax & NNDR | (116,459) |
| (146,570) | External grants and contributions | (159,108) |
| (4,628) | Gain/loss on disposal of non-current assets | (3,704) |
| (310,317) | Total Income | (339,703) |
| 6,774 | Surplus or Deficit on the Provision of Services | 3,199 |

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 2021 | | | | Note | 31st March 2022 | | |
|---------------------------|----------------------|-------------------------|---|------|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| (Restated) | | | | | | | |
| 3,703 | - | 3,703 | Interest payable and similar charges | 13.2 | 3,381 | 0 | 3,381 |
| 5,370 | - | 5,370 | Pensions interest cost and expected return on pensions assets | 14.3 | 6,307 | 0 | 6,307 |
| - | (206) | (206) | Interest receivable and similar income | 13.2 | - | (303) | (303) |
| - | (7) | (7) | Interest receivable and similar income: CCRCDC share | | - | (10) | (10) |

| | | | | | | |
|---------------|-----------------|--------------|---|---------------|-----------------|--------------|
| 6,200 | (10,315) | (4,115) | Income and expenditure in relation to investment properties and changes in their fair value | 4,925 | (11,880) | (6,955) |
| 2,711 | (2,581) | 130 | (Surpluses)/deficits on trading undertakings not included in the Net Cost of Services | 3,566 | (2,816) | 750 |
| - | (25) | (25) | Other investment income | - | (15) | (15) |
| 17,984 | (13,134) | 4,850 | Total Financing and Investment Income and Expenditure | 18,179 | (15,024) | 3,155 |

11.4 Agency Income & expenditure

The Council acted as an agent on behalf of the following in the provision of goods and services:

Covid-19 Grants

Due to the impact of the Covid-19 pandemic on the need for additional services, support for individuals and businesses there have been a large number of new grants and financial support made available by Welsh Government. Local Authorities have been requested to administer on the Welsh Government's behalf because they have the local knowledge and ability to put in place systems quickly to make payments.

The below table details each scheme:

| Amount Received 2020/21 (£000's) | Scheme | Purpose | Amount Received 2021/22 (£000's) |
|----------------------------------|----------------------------------|--|----------------------------------|
| 25,417 | Business Support Grants | Grants to support businesses during lockdown closures | 362 |
| 13,621 | NDR Relief grants | Relief given to retail, leisure and hospitality | 1,474 |
| 1,193 | Care Workers Payments | Bonus payment for individual care workers | 1,894 |
| 440 | Covid-19 Freelancer Grant | Payment available for freelancers in the culture sector of up to £2.5k | 18 |
| 145 | Self Isolation Payments | £500 & £750 payments for eligible individuals who have to self isolate | 1,002 |
| 0 | Winter Fuel Payments | £200 Winter Fuel Support Scheme | 476 |
| 143 | Covid-19 Start Up Grant | Financial assistance for newly created businesses facing operational and financial challenges as a result of the Covid-19 outbreak | 0 |
| 127 | SSP Enhancement | To top up to full salary where employees only receive statutory sick pay when off sick with Covid-19 or having to self isolate as an infection control measure | 147 |
| 41,084 | Total | | 5,373 |

11.5 Council Tax & National Non-Domestic Rates

Council Tax

Council tax derives from charges raised according to the value of residential properties. Each dwelling has been classified into one of nine valuation bands according to its capital value at 1 April 2003 for this specific purpose. Charges are calculated by taking the amount of income required for the Authority, Office of Police and Crime Commissioner for Gwent and Town and Community Councils for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent, totalled across all bands and adjusted for discounts. The tax base was £46,711.94 for 2021/22 (£46,331.92 for 2020/21).

This average basic amount for a Band D property, £1,785.68 (£1,717.44 in 2020/21), is multiplied by the proportion specified for the particular band to give the individual amount due.

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

| Band | A | B | C | D | E | F | G | H | I |
|----------------------|----------|-------|-------|--------|---------|---------|---------|---------|------|
| Multiplier | 6/9 | 7/9 | 8/9 | 1.0 | 11/9 | 13/9 | 15/9 | 18/9 | 21/9 |
| Chargeable Dwellings | 518 | 3,402 | 7,095 | 9,236 | 7,375 | 7,870 | 5,448 | 1,770 | 667 |
| 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:

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|--|-----------------|
| (80,466) | Council tax collectable | (84,441) |
| 228 | Provision for non-payment of council tax | 251 |
| (80,238) | Total Council Tax proceeds | (84,190) |

National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate, 0.535p per £ in 2021/22 (0.535p per £ in 2020/21) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The NNDR income after relief and provisions of £23,836,768 (£25,952,192 for 2020/21) was based on an average rateable value of £60,009,711 (£62,197,106 for 2020/21).

The Authority acts as the Welsh Government's agent and collects rates due from ratepayers in its area and then pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. The Welsh Government redistributes the sums payable to the local authorities on the basis of a fixed amount per head of population. The total amount redistributed from the National Pool to the Council in 2021/22 was £32.02m (£30.04m in 2020/21).

A net debtor of £3,385,117 at 31st March 2022 (£1,042,517 debtor as at 31st March 2021) is included in the balance sheet which represents the amount by which the cash received from Welsh Government is less than the amount collected from ratepayers.

11.6 Grant Income

Capital Grants and Contributions

The Authority has credited the following capital grants & contributions to the Comprehensive Income and Expenditure Statement in 2021/22:

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| 2,423 | WG General Capital Grant | 2,438 |
| 507 | Section 106 Developer Contributions | 509 |
| 8,623 | WG Grants | 12,078 |
| 0 | Other Contributions | 0 |
| 11,553 | Total | 15,025 |
| | Credited to the Comprehensive Income and Expenditure Statement: | |
| (1,288) | Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute | (1,472) |
| (10,265) | Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income | (13,553) |
| (11,553) | Total | (15,025) |

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:

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| | Developer Contributions held in Advance: | |
| 4,214 | S106 Developer contributions | 2,820 |
| 4,214 | Total | 2,820 |

Revenue Grants and Contributions

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

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| | Revenue Grants credited to services | |
| | Central Government: | |
| 17,553 | Housing Benefit Subsidy | 16,714 |
| | Welsh Government: | |
| 9,103 | Welsh Government Covid-19 Hardship fund - Expenditure Support** | 10,733 |
| 8,382 | Welsh Government Covid-19 Hardship fund - Income loss Support | 3,617 |
| 2,566 | Welsh Government Covid-19 Hardship fund - Other | 1,018 |
| 3,959 | Education Improvement Grant (PDG) | 4,158 |
| 3,452 | Sixth Form Funding (DCELLS) | 4,238 |
| 622 | Concessionary Fares, Transport Subsidy (PTSG) | 1,102 |
| 1,117 | Children & Communities (Flying Start) | 1,168 |
| 990 | MYST (Children's Services Care) | 0 |
| 0 | WG - LA Social Care Recovery Fund | 3,823 |
| 651 | Families First | 646 |
| 2,116 | Housing Support Grant (Supporting People) | 2,784 |
| 509 | Waste Management | 675 |
| 362 | Rural Development Plan | 409 |
| 0 | WG 20mph Trial Scheme (Monmouthshire) | 404 |
| 541 | Floods and SUDS | 251 |
| 0 | INFUSE - Innovating Public Services | 823 |
| 315 | Government Tech Innovate | 28 |
| 7,393 | Other WG grants | 7,841 |
| | Home Office: | |
| 203 | Support /Afghan / Syrian / Unaccompanied Asylum Seekers | 1,585 |
| 52 | Police and Crime Commissioner | 152 |
| 1,078 | Other Grants & Contributions | 2,721 |
| 60,965 | Total Revenue Grants credited to services | 64,890 |
| | Non-Specific Grant Income | |
| 30,037 | Non-Domestic Rates | 32,018 |
| 67,723 | Revenue Support Grant | 71,049 |
| 97,760 | Total Non-Specific Grant Income | 103,067 |

** Excludes grant income received as part of hardship funding but paid to MCC acting as the agent

12 NON-CURRENT ASSET & CAPITAL FINANCING NOTES

12.1 Property, Plant and Equipment

The following tables summarise the movements in the Authority's property, plant and equipment portfolio by asset type for the years ending 31st March 2022 and 31st March 2021.

Movements in 2021/22:

| | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 | PFI Assets Included in Property, Plant and Equipment* |
|---|----------------------------------|--|--------------------------|------------------------|-----------------------------------|---|---|
| Cost or Valuation: | | | | | | | |
| At 1st April 2021 | 245,034 | 23,205 | 4,458 | 10 | 2,015 | 274,722 | 1,241 |
| Additions | 6,385 | 2,554 | 217 | | 2,316 | 11,472 | |
| Revaluation movements taken to Revaluation Reserve | (1,380) | (2) | | | | (1,383) | 9 |
| Revaluation movements taken to Surplus/Deficit on Provision of Services | (4,335) | (5) | | | | (4,340) | (5) |
| Impairment movements taken to Surplus/Deficit on Provision of Services | (1,959) | | (147) | | | (2,106) | |
| Reclassified (to)/from Held for Sale | 0 | (2,975) | | | | (2,975) | |
| Disposals | | | | | | 0 | |
| Other transfers | (15) | | | | (152) | (167) | |
| CCRCD Assets | | 257 | | | 50 | 306 | |
| At 31st March 2022 | 243,729 | 23,034 | 4,528 | 10 | 4,228 | 275,530 | 1,245 |
| Accumulated Depreciation: | | | | | | | |
| At 1st April 2021 | (15,840) | (12,832) | 0 | 0 | 0 | (28,673) | 0 |
| Depreciation charge | (8,438) | (2,043) | | | | (10,482) | (49) |
| Depreciation written out on revaluation to Revaluation Reserve | 13,042 | 1 | | | | 13,043 | 47 |
| Depreciation written out on revaluation to Surplus/Deficit on Provision of Services | 10,138 | 2 | | | | 10,140 | 2 |
| Depreciation written out on impairment to Surplus/Deficit on Provision of Services | | | | | | 0 | |
| Reclassified to/(from) Held for Sale | | 2,972 | | | | 2,972 | |
| Disposals | | | | | | 0 | |
| Other reclassifications | 10 | | | | | 10 | |
| CCRCD Assets | | (37) | | | | (37) | |
| At 31st March 2022 | (1,089) | (11,937) | 0 | 0 | 0 | (13,026) | 0 |
| Net Book Value: | 242,640 | 11,097 | 4,528 | 10 | 4,228 | 262,504 | 1,245 |

Movements in 2020/21

| | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment* |
|--|--------------------------|--|------------------|----------------|---------------------------|-------------------------------------|---|
|--|--------------------------|--|------------------|----------------|---------------------------|-------------------------------------|---|

| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
|---|-----------------|-----------------|--------------|-----------|--------------|-----------------|--------------|
| Cost or Valuation: | | | | | | | |
| At 1st April 2020 | 251,758 | 21,829 | 4,459 | 0 | 2,844 | 280,890 | 1,259 |
| Additions | 3,604 | 2,906 | (3) | - | 1,425 | 7,933 | - |
| Revaluation movements taken to Revaluation Reserve | (3,031) | (7) | 0 | - | - | (3,038) | (18) |
| Revaluation movements taken to Surplus/Deficit on Provision of Services | (2,943) | - | - | - | 0 | (2,943) | - |
| Impairment movements taken to Surplus/Deficit on Provision of Services | (2,168) | (790) | 3 | 0 | - | (2,956) | - |
| Reclassified (to)/from Held for Sale | (2,269) | (733) | (1) | 10 | - | (2,993) | - |
| Disposals | | | (0) | | - | (0) | |
| Other reclassifications | 2,254 | | | | (2,254) | (0) | |
| CCRCD Assets | (2,169) | - | - | - | - | (2,169) | - |
| At 31st March 2021 | 245,034 | 23,205 | 4,459 | 10 | 2,015 | 274,723 | 1,241 |
| Accumulated Depreciation: | | | | | | | |
| At 1st April 2020 | (10,535) | (11,359) | - | - | - | (21,895) | 0 |
| Depreciation charge | (8,243) | (2,163) | - | - | - | (10,405) | (53) |
| Depreciation written out on revaluation to Revaluation Reserve | 2,497 | 7 | - | 0 | - | 2,504 | - |
| Depreciation written out on revaluation to Surplus/Deficit on Provision of Services | 440 | - | - | 0 | - | 440 | 53 |
| Depreciation written out on impairment to Surplus/Deficit on Provision of Services | - | - | - | - | - | 0 | - |
| Reclassified to/(from) Held for Sale | - | 683 | - | - | - | 683 | - |
| Disposals | | | | | | 0 | |
| At 31st March 2021 | (15,840) | (12,832) | - | - | - | (28,673) | 0 |
| Net Book Value: | 229,194 | 10,372 | 4,459 | 10 | 2,015 | 246,050 | 1,241 |

12.1b Infrastructure Disclosure

In accordance with the temporary relief offered by the Statutory Instrument as an amendment to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (Regulation 24L) this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation [24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

| | 2020/21 £000 | 2021/22 £000 |
|-----------------------------------|-----------------|-----------------|
| Net Book Value At 1 April | 71,151 | 73,613 |
| Additions | 6,820 | 9,943 |
| Derecognition | 0 | 0 |
| Depreciation | (2,279) | (2,465) |
| Impairment | (2,079) | (3,728) |
| Other Movements in Costs | 0 | 0 |
| Net Book Value At 31 March | 73,613 | 77,363 |

12.2 Revaluations of Property, Plant & Equipment

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

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

- The 2021/22 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 2022. The valuations carried out during 2021/22 primarily include Community Centres, Corporate Facilities, Hubs & Public Contact Centres and Recreational Spaces.

| | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|---------------------------------------|-------------------------------------|---|-----------------------------|------------------------|--------------------------------------|---|
| Carried at historical cost | 0 | 11,097 | 4,528 | 10 | 4,228 | 19,864 |
| Valued at current value as at: | | | | | | |
| 31st March 2022 | 220,993 | - | - | - | - | 220,993 |
| 31st March 2021 | 2,860 | - | - | - | - | 2,860 |
| 31st March 2020 | 17,350 | - | - | - | - | 17,350 |
| 31st March 2019 | 1,149 | - | - | - | - | 1,149 |
| 31st March 2018 | 289 | - | - | - | - | 289 |
| Total Cost or Valuation | 242,640 | 11,097 | 4,528 | 10 | 4,228 | 262,504 |

12.3 Schools Non-Current Assets

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

The Authority runs the voluntary controlled schools on behalf of 3rd party organisations such as charities and religious organisations who own the underlying assets. The Authority does not record these school assets on its balance sheet other than Raglan Primary (£3,832,484 as at 31st March 2022) as the transfer of legal ownership to the third party is still ongoing.

With regards to voluntary aided schools within Monmouthshire, and similar to voluntary controlled schools, the assets are owned by 3rd party organisations and are not recorded on the Authority's balance sheet other than Osbaston Primary (£1,567,900 as at 31st March 2021) as the transfer of legal ownership to the third party is still ongoing.

The net book value of school non-current assets as at 31st March 2022, shown in the Authority's balance sheet, is £159,141,677 (£163,484,094 as at 31st March 2021).

12.4 Private Finance Initiatives

Monmouth Health & Social Care Facility (Monnow Vale)

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

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

The Authority accounts for its 28% share of the PFI assets, comprising buildings and equipment, with a corresponding liability amounting to its long term obligation for financing these assets.

The life of the building had originally been established for valuation purposes as being 40 years and the equipment as being 15 years. As the life of the building is 10 years beyond that of the PFI agreement, it is anticipated that the facility will be used by the parties beyond the 30 year PFI agreement. At the end of the agreement, the buildings revert to the Health Board at nil consideration. There have been no changes in the arrangements during the year.

The Authority's share in the assets used to provide services at the facility are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.1, their total net book value at 31st March 2022 being £1,245,399.

12.5 Investment Properties

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

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|--|-----------------|
| (4,845) | Rental income from investment property | (5,026) |
| 1,725 | Direct operating expenses arising from investment property | 2,358 |
| (3,120) | Net (gain)/loss | (2,667) |

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

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|--|-----------------|
| 63,427 | Balance at start of the year | 65,304 |
| 141 | Additions | 233 |
| (2,458) | Disposals | (526) |
| 2,412 | Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure | 3,607 |
| 1,781 | Transfers (to)/from Property, Plant and Equipment | 5 |
| 0 | Movement in CCRCD balances | (3) |
| 65,304 | Balance at end of the year | 68,620 |

Capital receipts totalling £1,992,620 were credited to the Capital receipts reserve during 2021/22 in relation to investment properties (£5,102,490 in 2020/21).

Fair Value Hierarchy

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

| 2020/21 | | | | 2021/22 | | | | |
|--|-------------------------|---------------------------------|--------|---------------------------------------|-------------------------------------|-------------------------|---------------------------------|--------|
| Quoted Prices in active markets for identical assets | Other Observable inputs | Significant Unobservable inputs | | Type of Property | 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 |
| | | 95 | 95 | Freehold Reversions | | | 115 | 115 |
| | 29,692 | | 29,692 | Agricultural Properties | | 32,936 | | 32,936 |
| | | 1,236 | 1,236 | Retail Units | | | 1,521 | 1,521 |
| | | 1,940 | 1,940 | Industrial Properties | | | 1,894 | 1,894 |
| | | 5,098 | 5,098 | Solar Farm | | | 5,389 | 5,389 |
| | | 1,781 | 1,781 | Share of CCRCD Asset | | | 1,778 | 1,778 |
| | | 25,463 | 25,463 | Properties acquired for rental income | | | 24,987 | 24,987 |
| 0 | 29,692 | 35,612 | 65,304 | | 0 | 32,936 | 35,684 | 68,620 |

There have been no transfers between levels during the year. The authorities share in CCRD assets have recognised at Level 3.

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

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

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

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

Level 3 Investment Properties

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

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|--|-----------------|
| 33,896 | Balance at start of the year | 35,613 |
| 1,781 | Transfers (to)/from Level 3 | 0 |
| 8 | Additions | (15) |
| 0 | Disposals | 0 |
| (73) | Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services | 87 |
| 35,612 | Balance at end of the year | 35,685 |

Fair Value Measurement

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

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

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 2022 are shown below:

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|--|-----------------|
| 2,060 | Balance outstanding at start of year | 2,569 |
| 0 | Additions | 0 |
| 2,320 | Assets newly classified as held for sale: From Plant, Property & Equipment | 3 |
| (10) | Assets declassified as held for sale: To Plant, Property & Equipment | 0 |
| 334 | Revaluation gains | 1,074 |
| 0 | Revaluation losses | 0 |
| 0 | Impairment losses | 0 |
| (2,135) | Assets sold | (2,645) |
| 2,569 | Balance outstanding at year-end | 1,000 |

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 2020 (Restated) | 149 | 4,488 | 156 | 4,792 |

| | | | | |
|---|------------|--------------|------------|--------------|
| Additions | 1 | 0 | - | 1 |
| Revaluation increases/ (decreases) recognised in the SDPS | 0 | - | - | 0 |
| Impairment (losses)/reversals recognised in the SDPS | (1) | - | - | (1) |
| Reclassified from property, plant and equipment | 0 | - | - | 0 |
| 31st March 2021 (Restated) | 149 | 4,488 | 156 | 4,792 |
| Cost or Valuation: | | | | |
| Additions | 158 | | | 158 |
| Revaluation increases/(decreases) recognised in the SDPS | 0 | | | 0 |
| Impairment (losses)/reversals recognised in the SDPS | (79) | | | (79) |
| Reclassified from property, plant and equipment | | | | 0 |
| 31st March 2022 | 228 | 4,488 | 156 | 4,871 |

Property Heritage Assets

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

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

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

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

Museum Exhibits

Monmouthshire operates four museums, namely Monmouth, (The Nelson Museum), Abergavenny, Caldicot (Castle) and Chepstow. Each individual museum maintains an inventory of exhibits and the Authority last commissioned a valuation of material items in 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 2021 £000 | | 31st March 2022 £000 |
|----------------------------|---|-------------------------------|
| 189,451 | Opening Capital Financing Requirement | 189,235 |
| | Capital investment: | |
| | Enhancing value: | |
| 9,569 | Property, plant and equipment | 13,721 |
| 8 | Investment properties | (15) |
| 0 | Vehicles | 1,859 |
| 0 | Heritage assets | 79 |
| | Not enhancing value: | |
| 5,035 | Property, plant and equipment | 5,834 |
| 133 | Investment properties | 247 |
| 0 | Intangible assets | |
| 0 | Assets held for sale | |
| 1 | Heritage assets | 79 |
| 2,816 | Revenue Expenditure Funded from Capital under Statute | 3,404 |
| 1,147 | Loans & advances treated as capital expenditure | 0 |
| | Sources of finance: | |
| (1,042) | Capital receipts | (3,448) |
| (2,423) | General Capital Grant | (2,438) |
| (8,623) | Capital Grants and Contributions | (12,078) |
| (507) | S106 Contributions | (509) |
| (252) | Direct revenue contributions | (234) |
| | Other: | |
| (6,075) | Minimum revenue provision | (6,369) |
| 0 | Capital receipt set aside | 0 |
| 189,236 | Closing Capital Financing Requirement | 189,370 |
| | Explanation of movements in year: | |
| 2,417 | Increase in underlying need to borrowing - supported by Government financial assistance | 2,431 |
| 3,442 | Increase in underlying need to borrowing - unsupported by Government financial assistance | 4,072 |
| (6,075) | Less: Minimum revenue provision | (6,369) |
| (216) | Increase / (decrease) in Capital Financing Requirement | 134 |

12.9 Capital Commitments

At 31st March 2022, the Authority had entered into 3 major contracts (those individually £200,000 and more) for the construction of Property, Plant and Equipment in 2021/22 and later years, budgeted to cost a total of £5,581,423 (£1,090,595 at 31st March 2021). The major commitments are as follows and are not included in the financial statements within this document.

| | £000 |
|-----------------------------------|--------------|
| Abergavenny Borough Theatre Works | 620 |
| Crick Road Care Home | 4,961 |
| | 5,581 |

12.10 Minimum Revenue Provision

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

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

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

The amount of revenue provision made by the Authority in 2021/22 was £6,368,725 (£6,075,366 in 2020/21).

12.11 Leases - Authority as Lessor

Operating Leases

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

The minimum lease payments receivable includes rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. During the financial year £2,932,638 of minimum lease payments were receivable by the Authority (£2,819,107 in 2021/22).

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

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| 2,660 | Not later than one year | 2,838 |
| 6,285 | Later than one year and not later than five years | 7,088 |
| 10,849 | Later than five years | 10,377 |
| 19,794 | | 20,304 |

Finance Leases

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

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

| Present Value of Minimum Lease Payments to the Authority | 2020/21 | | Gross Amount outstanding from Lessee | 2021/22 | |
|--|--------------|---|--------------------------------------|--------------|--|
| | £000 | | | £000 | |
| | | | | | |
| 156 | 160 | Not later than one year | 156 | 160 | |
| 592 | 640 | Later than one year and not later than five years | 592 | 640 | |
| 1,906 | 2,560 | Later than five years | 1,806 | 2,400 | |
| 2,655 | 3,360 | | 2,554 | 3,200 | |

The present value of the minimum lease payments has been reduced during 2021/22 by the £160,000 receivable in year, offset by finance lease interest receivable.

12.12 Leases - Authority as Lessee

Operating Leases

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

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £324,288 (£354,511 in 2020/21).

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

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| 297 | Not later than one year | 251 |
| 652 | Later than one year and not later than five years | 624 |
| 181 | Later than five years | 153 |
| 1,130 | | 1,028 |

13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

13.1 Categories of Financial Instruments

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

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

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

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

Financial assets held at amortised cost and some assets held at fair value through other comprehensive income are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council. For most assets, this is 12 month expected credit losses until the risk increases significantly, then it is lifetime expected losses. For trade debtors expected lifetime losses are always used. Due to the high credit rating of counterparties used for treasury investments 12 month expected credit losses are minimal.

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

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

The following categories of financial assets are carried in the Balance Sheet as at 31st March 2022:

| Long-Term 31st March 2021 £000 | Short-Term 31st March 2021 £000 | | Note | Long-Term 31st March 2022 £000 | Short-Term 31st March 2022 £000 |
|--|--|--|------|---|--|
| Financial Assets | | | | | |
| Investments at amortised Cost: | | | | | |
| 1,179 | 20,458 | Principal invested | 13.4 | 1,003 | 14,184 |
| | | Accrued Interest | | | |
| Investments at fair value through other comprehensive income: | | | | | |
| | 2,986 | Equity Investments elected FVOCI | | | 3,986 |
| Investments at fair value through profit & loss: | | | | | |
| 183 | | Unquoted equity investments | 13.4 | 183 | |
| 1,362 | 23,444 | Total Investments | | 1,186 | 18,170 |
| Cash & Cash Equivalents at amortised cost: | | | | | |
| | 19,158 | Principal | 15.3 | | 34,108 |
| | | Accrued Interest | | | |
| 0 | 19,158 | Total Cash & Cash Equivalents | | 0 | 34,108 |
| At amortised cost: | | | | | |

| | | | | | |
|--------------|---------------|---|-------------|--------------|---------------|
| | 9,879 | Trade Receivables | | | 8,640 |
| | (597) | Loss allowance | | | (575) |
| 2,557 | 100 | Lease Receivables | | 2,452 | 103 |
| 210 | 1 | Loans made for service purposes | | 204 | (4) |
| 2,766 | 9,383 | Included in Debtors | 13.5 | 2,656 | 8,164 |
| 4,128 | 51,985 | Sub-Total Financial Assets | | 3,841 | 60,442 |
| | 3,098 | Current assets which are not Financial Instruments | | | 1,636 |
| 100 | 23,665 | Debtors which are not Financial Instruments | 13.5 | 1,001 | 33,830 |
| 4,228 | 78,748 | Total Financial Assets | | 4,842 | 95,907 |

| Long-Term 31st March 2021 £000 | Short-Term 31st March 2021 £000 | | Note | Long-Term 31st March 2022 £000 | Short-Term 31st March 2022 £000 |
|---|--|--|------|---|--|
|---|--|--|------|---|--|

All of the Council's financial liabilities are held at amortised cost including short and long term loans, bank overdraft, lease payables, PFI contracts and trade payables for goods and services.

The following categories of financial liabilities are carried in the Balance Sheet as at 31st March 2022:

| | | Financial Liabilities | | | |
|------------------|------------------|--|-------------|------------------|------------------|
| | | Loans at amortised Cost: | | | |
| (84,843) | (97,911) | Principal sum borrowed | | (104,297) | (71,169) |
| 0 | (683) | Accrued Interest | | | (732) |
| (28) | (1) | EIR adjustments | | (27) | (1) |
| (84,871) | (98,595) | Total Borrowings | 13.4 | (104,324) | (71,903) |
| | | Loans at amortised Cost: | | | |
| | (621) | Cash & cash equivalents | 15.3 | | (1,680) |
| 0 | (621) | Total Cash & Cash Equivalents | | 0 | (1,680) |
| | | Liabilities at amortised Cost: | | | |
| (674) | | PFI and finance lease liabilities | | (642) | |
| (1,703) | | Other Long Term Liabilities | | (1,608) | |
| (2,377) | 0 | Total Other Long Term Liabilities | | (2,250) | 0 |
| | | Liabilities at amortised Cost: | | | |
| | (1,134) | Trade Payables | | | (2,366) |
| 0 | (1,134) | Included in Short Term Creditors | 13.6 | 0 | (2,366) |
| (87,248) | (100,349) | Total Financial Liabilities | | (106,574) | (75,948) |
| | (35,271) | Short term creditors which are not Financial Instruments | 13.6 | | (51,085) |
| (316,163) | (4,758) | Other Current & long term liabilities which are not Financial Instruments: | | (266,323) | (4,492) |
| (403,411) | (140,378) | Total Balance Sheet Liabilities | | (372,897) | (131,525) |

Equity instruments elected to fair value through OCI

| 31st March 2021 | 31st March 2021 | 31st March 2021 | | 31st March 2022 | 31st March 2022 | 31st March 2022 |
|-----------------|-----------------|-----------------|---|-----------------|-----------------|-----------------|
| £000 | £000 | £000 | | £000 | £000 | £000 |
| Fair value | OCI | Dividends | | Fair value | OCI | Dividends |
| 1,539 | 243 | 67 | Kames Capital diversified monthly income fund | 2,024 | 485 | 84 |
| 1,001 | 88 | 37 | Investec Asset Management Ltd diversified income fund | 1,443 | 442 | 37 |
| 446 | (3) | 19 | CCLA LAMIT Property Fund | 519 | 73 | 17 |
| 2,986 | 327 | 124 | Total Balance Sheet Asset | 3,986 | 1,000 | 139 |

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

13.2 Financial Instruments - Income, Expense, Gains and Losses

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

| 31st March 2021 | | | | | 31st March 2022 |
|-----------------|--|----------------------------------|-------------------------------|---|-----------------------|
| £000 | | | | | £000 |
| | Financial Liabilities measured at: | Fair value though P&L | Fair value through OCI | Fair value through OCI - elected | Amortised cost |
| 15 | Interest expense - finance lease /private finance initiative debtors | | | | 16 |
| 0 | Losses on de-recognition | | | | 0 |
| 0 | Losses from changes in fair value | | | | 0 |
| 0 | Impairment losses | | | | 0 |
| 3,688 | Other Interest expense | | | | 3,364 |
| 3,703 | Subtotals | 0 | 0 | 0 | 3,381 |
| 3,703 | Total Interest payable and similar charges | | | | 3,381 |
| | Financial assets measured at: | Fair value though P&L | Fair value through OCI | Fair value through OCI - elected | Amortised cost |
| (64) | Interest income relating to finance lease debtors | | | | (58) |
| 0 | Interest from deferred receipts | | | | 0 |
| (124) | Dividend income (elected equity instruments) | | | (140) | 0 |
| 0 | Gains on derecognition | | | | 0 |
| 0 | Gains from changes in fair value | | | | 0 |
| 0 | Impairment loss reversals | | | | 0 |
| (43) | Other Interest income | | | | (119) |
| (231) | Subtotals | 0 | 0 | (140) | (177) |
| (231) | Total Interest & Investment income | | | | (317) |
| 3,472 | Net impact on surplus/deficit on provision of services | | | | 3,063 |
| | Impact on other comprehensive income: | Fair value though P&L | Fair value through OCI | Fair value through OCI - elected | Amortised cost |
| 330 | Gains on revaluation | | | 77 | |

| | | | | | |
|-------|--|---|---|------|-------|
| (3) | Losses on revaluation | | | (64) | |
| 0 | Amounts recycled to surplus/deficit on provision of services | | | | |
| 327 | Subtotals | 0 | 0 | 13 | 0 |
| 327 | Impact on other comprehensive income | | | | 13 |
| 3,799 | Net (gain)/loss for the year | | | | 3,076 |

13.3 Fair Values of Financial Instruments

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2022, using the following methods and assumptions

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

The value of financial instruments held at amortised cost have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March 2022.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at an appropriate rate.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

Financial liabilities

| Balance Sheet 31st March 2021 £000 | Fair Value 31st March 2021 £000 | | Balance sheet position | Fair Value Level | Balance Sheet 31st March 2022 £000 | Fair Value 31st March 2022 £000 |
|---|--|--|---------------------------|---------------------|--|--|
| Financial liabilities held at amortised cost: | | | | | | |
| (183,466) | (204,695) | Borrowings | Borrowing (ST & LT) | 2 | (176,226) | (179,030) |
| (674) | (695) | PFI and finance lease liabilities | Other LT Borrowing | 3 | (642) | (563) |
| (184,140) | (205,390) | Subtotal | | | (176,868) | (179,593) |
| Financial liabilities held at amortised costs for which fair value is not disclosed: | | | | | | |
| (1,193) | | Cash & Cash equivalent | C & C E | | (1,680) | |
| (1,134) | | Trade payables | Short term creditors | | (2,366) | |
| (1,703) | | Net agency creditor and lease deposits | Other LT Borrowing | | (1,608) | |
| (188,169) | | Total financial liabilities | | | (182,522) | |

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

Financial Assets

| Balance Sheet 31st March 2021 £000 | Fair Value 31st March 2021 £000 | | | Fair Value Level | Balance Sheet 31st March 2022 £000 | Fair Value 31st March 2022 £000 |
|---|--|---|--------------------|---------------------|--|--|
| Financial assets held at fair value: | | | | | | |
| 2,986 | 2,986 | Equity investments elected FV through OCI | ST Investments | 2 | 3,986 | 3,986 |
| 183 | 183 | Unquoted equity investments held at FVP&L | LT Investments | 3 | 183 | 183 |
| 3,168 | 3,168 | Subtotal | | | 4,168 | 4,168 |
| Financial assets held at amortised cost: | | | | | | |
| 2,657 | 2,799 | Lease receivables | LT debtors | 3 | 2,554 | 2,443 |
| | | Trade receivables - deferred receipt | LT debtors | | | |
| 5,825 | 5,967 | Subtotal | | | 6,722 | 6,611 |
| Financial assets held at amortised cost for which fair value is not disclosed: | | | | | | |
| 19,158 | | Cash & Cash equivalent | C&CE | | 34,108 | |
| 23,444 | | Short term investments | ST Investments | | 18,170 | |
| 9,879 | | Trade Receivables | Short term debtors | | 8,640 | |
| 210 | | Loans made for service purposes | Long term debtors | | 204 | |
| 58,517 | | Total financial assets | | | 67,844 | |

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

13.4 Nature and Extent of Risks arising from Financial Instruments

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

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

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

Whilst the majority of investments used continue to be with institutions which are given a high credit rating by external rating agencies and which continue to show other measures of credit worthiness, the authority's investment portfolio now includes £4m in strategic pooled funds which achieve higher returns. The risk is controlled by following the advice of the Authority's treasury management advisors, by the use of experienced fund managers and diversification within the funds purchased.

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

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

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

a) Credit Risk

Treasury Investments

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

A limit of £4m is placed on the amount of money that can be invested in unsecured investments with a single counterparty (other than the UK government) for the majority of the Authority's activities (for more details see the Treasury Strategy).

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

| Balance Long-term 31st March 2021 | Balance Short-term 31st March 2021 | Counterparty Group | Investment Vehicle | Average | Country | Balance Long-term 31st March 2022 | Balance Short-term 31st March 2022 |
|---|--|--------------------------|-------------------------|---------|----------------|---|--|
| £'000 | £'000 | | | rating | | £'000 | £'000 |
| 0 | 20,000 | UK Government | Term Deposit with DMADF | AA+ | United Kingdom | | 14,000 |
| 0 | 0 | Local Authority | Term Deposit | AA+ | United Kingdom | | |
| 0 | 16,187 | Bank | Term Deposit | A+ | United Kingdom | | 30,070 |
| Credit risk Not applicable: | | | | | | | |
| 0 | 2,986 | Pooled funds | | | United Kingdom | | 3,986 |
| 1,239 | 274 | Unquoted Equity | | | United Kingdom | 1,063 | |
| 123 | 3,155 | CCRCD | | | | 123 | 4,222 |
| 1,362 | 42,602 | Total Investments | | | | 1,186 | 52,278 |

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 365% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2022, £nil of loss allowances related to treasury investments.

Trade & Lease receivables and Contract assets

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

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

The Council has one finance lease receivable as a result of a lease disposal of a piece of land, which is held on the balance sheet at amortised cost. The Council's credit risk on lease receivables is mitigated by its legal ownership of the asset leased, which can be repossessed if the debtor defaults on the lease contract, so no loss allowance has been applied. At the 31st March 2022 the carrying value was £2,554,000. The fair value was £2,443,000 reflecting the difference in interest rates used for the two estimates.

Loans, Financial Guarantees and Loan Commitments

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

b) Liquidity Risk

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

The maturity analysis of financial instruments is as follows:

| 31st March 2021 | | | | 31st March 2022 | | |
|-----------------|-----------------|----------------|--------------------------------------|-----------------|-----------------|----------------|
| £000 | £000 | £000 | | £000 | £000 | £000 |
| Borrowings | Investments | Net | | Borrowings | Investments | Net |
| | | | The Loans Mature as follows:- | | | |
| 0 | (3,626) | (3,626) | No defined maturity | 0 | (4,352) | (4,352) |
| 98,595 | (20,000) | 78,595 | Less than one year | 71,903 | (14,000) | 57,903 |
| 3,013 | 0 | 3,013 | Between one and two years | 4,338 | 0 | 4,338 |
| 13,448 | 0 | 13,448 | Between two and five years | 10,014 | 0 | 10,014 |
| 11,510 | (1,179) | 10,331 | Between five and ten years | 11,128 | (1,003) | 10,125 |
| 12,924 | 0 | 12,924 | Between ten and twenty years | 20,269 | 0 | 20,269 |
| 43,976 | 0 | 43,976 | More than twenty years | 58,574 | 0 | 58,574 |
| 183,466 | (24,806) | 158,660 | Total | 176,226 | (19,355) | 156,871 |

The Counterparty analysis of Borrowing is shown below:

| 31st March 2021 | | 31st March 2022 |
|-----------------|---------------------------|-----------------|
| £000 | | £000 |
| 74,647 | Public Works Loan Board | 87,358 |
| 13,812 | Market Loans & Bank loans | 13,812 |
| 5,062 | Welsh Government | 6,031 |
| 86,944 | Local Government bodies | 66,025 |
| 3,000 | Special Purpose Vehicle | 3,000 |
| 183,466 | Total | 176,226 |

The financial liabilities due to Welsh Government at the 31st March 2022 are the outstanding balances from interest free loans provided to fund energy saving Street Lighting capital schemes and a loan which funded the Oak Grove solar farm construction. Accounting requirements require financial liabilities in the form of loans to be carried at amortised cost. However, some of these interest free loans have not been carried at amortised cost on the grounds that the figures quoted are not materially different.

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

c) Market Risk

i) Interest rate risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. The 2021/22 treasury strategy includes a limit on the Authority's exposure to interest rate risk. This limit of 50% applies to the percentage of net variable rate debt to total net debt, where net debt is debt net of investments.

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

The interest payable and interest receivable during 2021/22, on borrowings and investments held at the 31st March 2022, with all other variables held constant, would increase / (decrease), if interest rates were 1% higher. The most significant impact would relate to variable rate and short term loans & investments, with long term instruments not being affected:

| 31st March 2021 £000 | Effect of a 1% increase in interest rates | 31st March 2022 £000 |
|----------------------------|--|----------------------------|
| 829 | Increase in interest payable on borrowings | 491 |
| (190) | Increase in interest receivable on investments | (136) |
| 0 | Decrease in fair value of investments held at FVP&L | 0 |
| 639 | Impact on Surplus or Deficit on the Provision of Services | 354 |
| (12,630) | Decrease in fair value of fixed rate borrowing * | (11,828) |

* No impact on Comprehensive Income and Expenditure

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

ii) Price risk

The market prices of the bond component in the Council's multi asset pooled funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk. It is carrying a £60,000 investment in shares of SRS Limited, a company set up with and jointly owned by Torfaen Borough Council & Gwent Police Authority. The property element of the Council's multi asset pooled funds is subject to the risk of falling commercial property prices. The equity element of the Council's multi asset pooled funds is subject to the risk of falling share prices. These risks were limited by the Council's maximum exposure to strategic pooled funds of £6m. A 5% fall in the value of the property component or equity component held within these funds could result in a charge to Other Comprehensive Income and Expenditure. The due diligence carried out before these investments purchased would indicate that any such loss is expected to be either temporary or compensated for by the dividend income. One advantage of a multi asset pooled funds is that property, equity and bonds prices are not fully correlated with each other reducing the risk of losses.

iii) Foreign exchange risk

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

13.5 Debtors

The nature and value of payments due to the Council for the year but not received as at 31st March 2022, 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 2021 | | | | | 31st March 2022 | | | |
|-------------------|--------------------|--------------------|---------------|---|-------------------|--------------------|--------------------|---------------|
| Long Term £000 | Short Term £000 | Impairment £000 | Net £000 | | Long Term £000 | Short Term £000 | Impairment £000 | Net £000 |
| | | | | Central Government Bodies: | | | | |
| | 9,444 | | 9,444 | Welsh Government | | 17,426 | | 17,426 |
| | 1,083 | | 1,083 | HM Customs & Excise | | 1,549 | | 1,549 |
| | 2,306 | | 2,306 | NNDR Debtor | | 2,993 | | 2,993 |
| | 406 | | 406 | Council Tax and Housing Benefit Subsidy | | 0 | | 0 |
| | | | 0 | Other | | | | 0 |
| | | | | Other entities and individuals: | | | | |
| | 4,956 | (4) | 4,952 | Other Local Authorities | | 4,600 | (17) | 4,583 |
| | | | 0 | Deferred Capital receipts | | | | 0 |
| 2,557 | 100 | | 2,657 | Finance Lease | 2,452 | | | 2,452 |
| | 7,542 | (55) | 7,487 | Revenue debtors | | 6,825 | (69) | 6,756 |
| | 3,925 | (1,895) | 2,031 | Council tax arrears | | 3,771 | (2,146) | 1,625 |
| | 1,323 | (235) | 1,088 | Corporate sundry debtors | | 1,744 | (118) | 1,626 |
| | 1,284 | (649) | 635 | Housing benefit overpayments | | 1,295 | (741) | 554 |
| | 1,756 | | 1,756 | NHS Bodies | | 2,663 | (10) | 2,653 |
| | 784 | (154) | 630 | Social Services debtors | | 1,171 | (181) | 990 |
| | 275 | (204) | 71 | Rent arrears | | 379 | (249) | 130 |
| | 16 | | 16 | Capital debtors | | 734 | | 734 |
| | 201 | | 201 | Housing Advances | 196 | | | 196 |
| 109 | 1,043 | | 1,152 | Other | 1,009 | 373 | | 1,382 |
| 2,867 | 36,244 | (3,196) | 35,914 | Total Debtors | 3,657 | 45,525 | (3,531) | 45,650 |

The aged analysis of short term debtors outstanding as at 31st March 2022 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 | 17,426 | 0 | 0 | 0 | 0 | 17,426 |
| HM Customs & Excise | 1,549 | 0 | 0 | 0 | 0 | 1,549 |
| NNDR Debtor | 3,207 | 0 | (35) | (34) | (145) | 2,993 |
| Council Tax and Housing Benefit Subsidy | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Other entities and individuals: | | | | | | |
| Other Local Authorities | 3,966 | 459 | 177 | (2) | (0) | 4,600 |
| Deferred Capital receipts | 0 | 0 | 0 | 0 | 0 | 0 |
| Finance Leases | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue debtors | 6,703 | 0 | 56 | 27 | 39 | 6,825 |
| Council tax arrears | 0 | 0 | 946 | 904 | 1,922 | 3,771 |
| Corporate sundry debtors | 1,056 | 217 | 222 | 59 | 190 | 1,744 |
| Housing benefit overpayments | 0 | 0 | 320 | 212 | 763 | 1,296 |
| NHS Bodies | 2,440 | 22 | 125 | 66 | 10 | 2,663 |

| | | | | | | |
|--------------------------------|---------------|--------------|--------------|--------------|--------------|---------------|
| Social Services sundry debtors | 167 | 300 | 358 | 150 | 196 | 1,171 |
| Capital debtors | 734 | 0 | 0 | 0 | 0 | 734 |
| Rent arrears | 72 | 19 | 72 | 49 | 167 | 379 |
| Housing Advances | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 373 | 0 | 0 | 0 | 0 | 373 |
| Total | 37,693 | 1,016 | 2,242 | 1,431 | 3,142 | 45,525 |

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2022 is as follows:

| | Not Overdue | Up to 3 Months | 3 Months - 12 Months | Over 12 Months | Over 24 Months | Total |
|--------------------------------|-------------|----------------|----------------------|----------------|----------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Other Local Authorities | 0 | 0 | 3 | 5 | 9 | 17 |
| NHS Bodies | 0 | 0 | 3 | 4 | 3 | 10 |
| Revenue debtors | 0 | 0 | 29 | 14 | 26 | 69 |
| Council Tax Arrears | 0 | 0 | 538 | 514 | 1,094 | 2,146 |
| Social Services sundry debtors | 39 | 7 | 96 | 20 | 19 | 181 |
| Corporate sundry debtors | 0 | 6 | 46 | 21 | 45 | 118 |
| Rent arrears | 0 | 4 | 30 | 49 | 166 | 249 |
| Housing benefit overpayments | 0 | 0 | 64 | 46 | 631 | 741 |
| Total | 39 | 17 | 809 | 673 | 1,993 | 3,531 |

13.6 Creditors

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 97.54% of payments were paid within a 30 day target settlement date (97.88% in 2020/21).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2022 is summarised below:

| 31st March 2021 £000 | | 31st March 2022 £000 |
|-------------------------|------------------------------|-------------------------|
| 10,222 | Central Government Bodies | 4,896 |
| 2,874 | Other Local Authorities | 4,736 |
| 411 | NHS Bodies | 1,300 |
| 4,922 | Capital Creditors | 8,492 |
| 17,975 | Other entities & individuals | 34,028 |
| 36,405 | Total | 53,451 |

13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2022, together with their movement for the year, is summarised below:

| | Note | As at 1st April 2021 £000 | New or increased Provisions £000 | Used or reduced Provisions £000 | As at 31st March 2022 £000 |
|---------------------------------------|-------|------------------------------|-------------------------------------|------------------------------------|-------------------------------|
| Insurance Claims | 13.7a | 851 | 572 | (417) | 1,006 |
| Insurance Claims - MMI | 13.7b | 32 | 0 | 0 | 32 |
| Accumulating Compensated Absences | 13.7c | 4,109 | 3,973 | (4,109) | 3,973 |
| Shared Resource Service (Public) Debt | 13.7d | 86 | 0 | (86) | (0) |
| CCRCDC Consolidation | | 127 | 25 | 0 | 152 |
| Total | | 5,205 | 4,570 | (4,612) | 5,163 |

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 2021 £000 | Long Term 31st March 2021 £000 | | Current 31st March 2022 £000 | Long Term 31st March 2022 £000 |
|---------------------------------|-----------------------------------|---------------------------------------|---------------------------------|-----------------------------------|
| 546 | 305 | Insurance Claims | 503 | 503 |
| 16 | 16 | Insurance Claims - MMI | 16 | 16 |
| 4,109 | 0 | Accumulating Compensated Absences | 3,973 | 0 |
| 86 | 0 | Shared Resource Service (Public) Debt | 0 | 0 |
| 0 | 127 | CCRCDC Consolidation | 0 | 152 |
| 4,757 | 448 | Total | 4,492 | 671 |

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 2022. Provision has only been made where the Authority's insurers indicate a settlement is likely. The result is that the total provision is at the most likely level to be paid out in the future. Any movement in provisions has been charged against the services to which the claims relate.

The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The balance in the reserve is reviewed annually as part of the assessment on the adequacy of reserves by the Section 151 Officer. The reserve is required to cover potential claims not yet reported as well as recorded claims, which do not merit a provision, referred to above. It therefore represents additional cover, over and above the provision, to cover all foreseeable claims as at the balance sheet date.

The provision in place at 31st March 2022 was £1,006,362 (£851,029 at 31st March 2021) and the balance on the insurance and risk management reserve as at 31st March 2022 was £836,094 (£846,428 as at 31st March 2021). These balances are deemed to provide sufficient cover for the Authority's claims exposure.

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

| 31st March 2021 £000 | | 31st March 2022 £000 |
|-------------------------|----------------------|-------------------------|
| 632 | Public Liability | 835 |
| 219 | Employer's Liability | 171 |
| 851 | Total | 1,006 |

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 2022, a provision of £31,137 has been made for outstanding claims of this nature, unchanged from 2020/21.

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 2022 was £3,973,247 (£4,109,744 at 31st March 2021).

d) Shared Resource Service (SRS) Public Debt

Financial administration of the Shared Resource Service (Public) transferred to Torfaen CBC on 1st April 2019. As part of the winding up of the administration it was considered possible that Monmouthshire CC may incur a write off for unrecoverable debt relating to bills raised by SRS Public up to and including the 31st March 2019, estimated at £86,254. Following a review during the year, there was no further evidence of such a liability presenting and as such this provision has been reversed.

e) Asbestos Indemnity (Contingent Liability)

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 indemnity is one where the authority has negotiated an initial limited contingent liability of £6.003million, to be updated annually by RPI, for a period of 15 years from the date of transfer of 20th January 2008. 1 year remains 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 the potential future liability, after updating for RPI is £7.176 million (£6.679 million as at 31st March 2021), 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 2022) is £125,021 (previously £124,456 for the period 21st January 2008 to 31st March 2021).

14 POST-EMPLOYMENT BENEFIT NOTES

14.1 Participation in Pension Schemes

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

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

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

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

The Authority's payments to the scheme relating to 2021/22 totalled £6,087,000 (£5,991,000 in 2020/21) in respect of teachers' retirement benefits.

Under this scheme there are separate arrangements for the award of discretionary post employment benefits upon early retirement – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made.

There were £514,246 of contributions remaining payable to the scheme at the year end (£495,227 at 31st March 2021). The Council is not responsible for any other employers' obligations under this pension plan.

Greater Gwent Pension Fund

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

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

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

14.2 Pension Fund Stakeholders

14.3 Entries in the comprehensive income and expenditure statement

14.4 Expected future pension contributions

14.5 Actuarial Assumptions

14.6 Sensitivity analysis

14.7 Investments held by the pension fund

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

14.9 A summary explanation of the movement in assets and liabilities

14.2 Pension Fund Stakeholders

The total defined benefit obligation for the Authority's share of the Greater Gwent Pension fund (excluding unfunded liabilities) as at the 31st March 2022 is split as follows, along with the weighted average duration of each group:

| 2020/21 | | | 2021/22 | | Weighted Average Duration (Years) |
|----------------|-------------|--------------|----------------|-------------|-----------------------------------|
| £000's | % | | £000's | % | |
| 367,088 | 51% | Active | 373,917 | 53% | 27.1 |
| 138,897 | 19% | Deferred | 128,850 | 18% | 9.3 |
| 216,972 | 30% | Pensioners | 201,808 | 29% | 19.5 |
| 722,957 | 100% | Total | 704,575 | 100% | 18.6 |

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

14.3 Entries in the comprehensive income and expenditure statement

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

To account for the McCloud Judgement (public service pensions age discrimination cases) the actuary has made an estimated adjustment to these liabilities from the 2019 valuation data to ensure that it is captured in the 31 March 2022 IAS19 balance sheet figures.

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

| Local Government Pension Scheme | Teachers' Unfunded Discretionary Benefits | | Local Government Pension Scheme | Teachers' Unfunded Discretionary Benefits |
|---------------------------------|---|---|---------------------------------|---|
| 2020/21 £000's | 2020/21 £000's | | 2021/22 £000's | 2021/22 £000's |
| | | Comprehensive Income and Expenditure Account | | |
| | | Net Cost of Services: | | |
| 20,168 | 0 | current service cost | 32,387 | 0 |
| 91 | 0 | past service cost / (gain) including curtailments | 180 | 0 |
| 0 | 0 | settlement gain | 0 | 0 |
| 20,259 | 0 | Total Net Cost of Services | 32,567 | 0 |
| | | Financing and Investment Income and Expenditure: | | |
| 12,733 | 86 | interest cost on pension liabilities | 14,740 | 75 |
| (7,449) | 0 | interest income on plan assets | (8,508) | 0 |
| 0 | 0 | Impact of asset ceiling on net interest | 0 | 0 |

| | | | | |
|---------------|------------|---|-----------------|--------------|
| 25,543 | 86 | Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 38,799 | 75 |
| | | Other Comprehensive Income and Expenditure: | | |
| 64,244 | 331 | (Gains) and losses on remeasurement | (71,489) | (174) |
| 0 | 0 | Effect of business combinations and disposals | 0 | 0 |
| 64,244 | 331 | Total Other Comprehensive Income and Expenditure | (71,489) | (174) |
| 89,787 | 417 | Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (32,690) | (99) |
| | | Movement in Reserves Statement | | |
| (25,715) | 86 | reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits | (38,799) | (75) |
| | | Actual amount charged against the Council Fund for pensions in the year: | | |
| 13,617 | 409 | employers' contributions payable to scheme | 14,330 | 373 |

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 2023 is £14,925,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2023 are £384,000.

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 principal IAS19 assumptions used by the Actuary for these accounts are shown in the following table. Using the projected unit method, the Actuary determines the figures at the Balance Sheet date using the latest scheme valuation as a base, which was 31 March 2019.

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

| Financial Assumptions | Local Government Pension Scheme & Teachers Unfunded Discretionary Benefits | | |
|---|--|-----------------|-----------------|
| | 31st March 2022 | 31st March 2021 | 31st March 2020 |
| Rate of increase in salaries | 3.5% | 3.2% | 2.2% |
| Rate of increase in pensions (inline with CPI) | 3.2% | 2.9% | 1.9% |
| Rate for discounting scheme liabilities | 2.7% | 2.0% | 2.3% |
| Life Expectancy: | | | |
| Current male pensioner aged 65 (years) | 20.5 | 20.7 | 20.6 |
| Current female pensioner aged 65 (years) | 23.2 | 23.4 | 22.9 |
| Future male pensioner aged 65 in 20 years' time (years) | 21.8 | 22.1 | 21.6 |
| Future female pensioner aged 65 in 20 years' time (years) | 25.1 | 25.4 | 24.6 |

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

14.6 Sensitivity Analysis

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

| Change in assumption at 31st March 2022 | Approximate % increase to Employer | Approximate monetary amount (£000) |
|--|------------------------------------|------------------------------------|
| 0.1% decrease in Real Discount Rate | 2% | 14,195 |
| 0.5% increase in the Salary Increase Rate | 4% | 28,468 |
| 0.1% increase in the Salary Increase Rate | 0% | 1,359 |
| 0.1% increase in the Pension Increase Rate | 2% | 12,730 |

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 2021 | | Category | Quoted in Active markets | 31st March 2022 | |
|-----------------|---------------|---|--------------------------|-----------------|---------------|
| £000 | % | | | £000 | % |
| 62,764 | 14.8% | Equities | Yes | 0 | 0.0% |
| | | <i>Investment funds & Unit Trusts</i> | | | |
| 245,139 | 57.8% | Equities | No | 336,753 | 74.4% |
| 71,196 | 16.8% | Bonds | No | 64,821 | 14.3% |
| 30,830 | 7.3% | Other | No | 39,840 | 8.8% |
| 10,680 | 2.5% | Property | No | 9,608 | 2.1% |
| 3,729 | 0.9% | Cash accounts | No | 1,465 | 0.3% |
| 0 | 0.0% | Alternatives | No | 0 | 0.0% |
| 424,338 | 100.0% | Total | | 452,486 | 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 |
|---------------------------------|--|--------------------------------------|---------------------------------|--|
| 2020/21 £000 | 2020/21 £000 | | 2021/22 £000 | 2021/22 £000 |
| 322,980 | 0 | As at 1st April | 424,338 | 0 |
| 0 | 0 | Settlement costs | 0 | 0 |
| 7,449 | 0 | Interest on plan assets | 8,508 | 0 |
| 13,617 | 431 | Employers contributions | 14,330 | 373 |
| 3,539 | 0 | Contributions by scheme participants | 3,792 | 0 |

| | | | | |
|----------------|----------|---|----------------|----------|
| 91,626 | 0 | Gains / (losses) on remeasurement of assets | 16,948 | 0 |
| 0 | 0 | Administration expenses of plan assets | 0 | 0 |
| (14,873) | (431) | Benefits paid | (15,430) | (373) |
| 424,338 | 0 | As at 31st March | 452,486 | 0 |

The Movement in Fund Liability

| | | | | |
|------------------|----------------|---|------------------|----------------|
| (549,563) | (3,943) | As at 1st April | (727,091) | (3,951) |
| (20,168) | 0 | Current service cost | (32,387) | 0 |
| (91) | 0 | Past service (cost) / gain (including curtailments) | (180) | 0 |
| 0 | 0 | Settlement gains | 0 | 0 |
| 0 | 0 | Curtailment costs | 0 | 0 |
| (12,733) | (86) | Interest on pension liabilities | (14,740) | (75) |
| (3,539) | 0 | Contributions by scheme participants | (3,792) | 0 |
| (155,870) | (331) | Gains / (losses) on remeasurement of liabs | 54,541 | 174 |
| 14,873 | 409 | Benefits paid | 15,430 | 373 |
| 0 | 0 | Effect of business combinations & disposals | 0 | 0 |
| (727,091) | (3,951) | As at 31st March | (708,219) | (3,479) |

There were £1,583,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2020 £1,124,000 was payable) and £2,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£2,000 at 31 March 2021).

Within the £704,575,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2022 (£727,091,000 31 March 2021), there are £8,085,000 of unfunded liabilities (£3,957,000 as at 31st March 2021).

14.9 Summary of the movement in assets and liabilities

Over the five years ending the 31 March 2022, the fund's actuaries have estimated that the Authority had the following assets and liabilities:

| | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Local Government Pension Scheme | | | | | |
| Present value of scheme liabilities | (544,485) | (616,635) | (549,563) | (727,091) | (708,219) |
| Fair value of scheme assets | 331,910 | 353,171 | 322,980 | 424,338 | 452,486 |
| Surplus / (deficit) in the scheme | (212,575) | (263,464) | (226,583) | (302,753) | (255,733) |
| Teachers Unfunded Discretionary Benefits | | | | | |
| Present value of scheme liabilities | (5,070) | (4,749) | (3,943) | (3,951) | (3,479) |
| Fair value of scheme assets | 0 | 0 | 0 | 0 | 0 |
| Surplus / (deficit) in the scheme | (5,070) | (4,749) | (3,943) | (3,951) | (3,479) |
| Total | | | | | |
| Present value of scheme liabilities | (549,555) | (621,384) | (553,506) | (731,042) | (711,698) |
| Fair value of scheme assets | 331,910 | 353,171 | 322,980 | 424,338 | 452,486 |
| Surplus / (deficit) in the scheme | (217,645) | (268,213) | (230,526) | (306,704) | (259,212) |
| Year on year increase in net liability (or deficit) | | (50,568) | 37,687 | (76,178) | 47,492 |

There is a decrease in the combined net liability of the Greater Gwent pension funds of £47,492,000 from 1 April 2021 to 31 March 2022. This has resulted from a decrease in the value of scheme liabilities of £18.8m offset by a increase in the value of scheme assets. The decrease in liabilities is due to changes in financial assumptions (e.g. increased inflation, decreased discount rate, increased longevity/age presumptions).

15 NOTES TO THE CASH FLOW STATEMENT

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

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|--|-----------------|
| 6,946 | Net (surplus) or deficit on the provision of services | 3,199 |
| | Non-cash transactions: | |
| (12,684) | Depreciation of non-current assets | (12,983) |
| (7,539) | Impairment and downward valuations | 418 |
| (79) | Amortisation of intangible non-current assets | (54) |
| (409) | Increase/decrease in impairment for provision for bad debts | (391) |
| (40) | Increase/(decrease) in inventories | 112 |
| 4,417 | Increase/(decrease) in debtors | 9,823 |
| (11,438) | (Increase)/decrease in creditors | (14,822) |
| (132) | (Increase)/decrease in provisions | 67 |
| (11,775) | Pension liability | (24,172) |
| 201 | CCRCD: Capital & Revenue Grants recognised | 633 |
| 0 | Other non-cash items charged to the net Surplus or Deficit on the Provision of Services | 1,363 |
| (4,593) | Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised | (3,171) |
| 2,412 | Movement in the value of investment properties | 3,601 |
| | Items classified in another classification in the cash flow statement | |
| 2,909 | Other payments for investing activities | 1,191 |
| 9,811 | Other receipts from investing activities | 9,016 |
| (34) | Other payments for financing activities | (33) |
| (753) | Other receipts for financing activities | (1,441) |
| 10,193 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 3,066 |
| (12,585) | Net cash flows from Operating Activities | (24,578) |

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:

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| | Returns on Investments received: | |
| (219) | Interest received | (289) |
| (25) | Other interest and investment income | (15) |
| | Servicing of Finance paid: | |
| 3,801 | Interest paid | 3,334 |
| 15 | Interest element of finance lease rental payments | 16 |
| 3,572 | | 3,047 |

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 2021 | In Year Movement | At 31st March 2022 |
|-----------------------------------|-----------------------|---------------------|-----------------------|
| | £000 | £000 | £000 |
| <i>Current Assets</i> | | | |
| Cash held by the Authority | 172 | (118) | 55 |
| Bank current accounts | 0 | 0 | 0 |
| Short-term call account deposits | 18,986 | 15,068 | 34,053 |
| <i>Current Liabilities</i> | | | |
| Bank current account overdrafts | (621) | (1,059) | (1,680) |
| Total | 18,538 | 13,890 | 32,428 |

16 OTHER NOTES TO THE ACCOUNTS

16.1 Members Allowances

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

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

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|----------------------------------|-----------------|
| 608 | Basic allowance | 600 |
| 208 | Special responsibility allowance | 216 |
| 2 | Travel allowance | 3 |
| 0 | Subsistence allowance | 0 |
| 4 | ICT Costs | 4 |
| 822 | Total | 823 |

16.2 Audit Costs

The Authority has incurred the following costs during 2021/22 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:

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|---|-----------------|
| 176 | Fees payable to the appointed auditor with regard to external audit services - financial audit | 183 |
| 103 | Fees payable to the appointed auditor with regard to external audit services - Local Government Measure | 107 |
| 40 | Fees payable to the appointed auditor for certification of grant claims & returns | 54 |
| 319 | Total | 344 |

16.3 S31 and S33 Pooled Budget Arrangements

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

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

a) Mardy Park Rehabilitation Scheme

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

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

The income and expenditure for the pooled fund arrangements for the financial year ended 31st March 2022 was:

| 2020/21 £000 | | 2021/22 £000 |
|-----------------|----------------------------------|-----------------|
| | Funding | |
| (262) | Monmouthshire County Council | (272) |
| (197) | Monmouthshire Local Health Board | (205) |
| (459) | Total Funding | (477) |

| Expenditure | | |
|--------------------|-------------------------------|------------|
| 326 | Employee related | 355 |
| 78 | Premises related | 84 |
| 1 | Transport related | 0 |
| 35 | Supplies & Services | 28 |
| 39 | Agency & Contracted | 44 |
| 479 | Total Expenditure | 511 |
| 20 | Net (Under)/over spend | 34 |

b) Gwent Integrated Community Equipment Store (GWICES)

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

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

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £4,991,000 (£4,106,000 for 2020/21) and gross income of £4,991,000 (£4,106,000 for 2020/21) for the financial year ended 31st March 2022. Monmouthshire County Council's contribution for the year was £419,000 (£382,000 for 2020/21).

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 £3,809,000 (£3,768,000 for 2020/21) and gross income of £3,675,000 (£3,612,000 for 2020/21) for the financial year ended 31st March 2022. Monmouthshire County Council's total contribution for the year was £1,191,000 (£1,171,000 for 2020/21).

d) Gwent Frailty Programme

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

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

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

Caerphilly County Borough Council is the host for the Partnership, who recorded gross expenditure of £16,109,000 (£16,623,000 for 2020/21) and gross income of £15,987,000 (£16,637,000 for 2020/21) for the financial year ended 31st March 2022. Monmouthshire County Council's total contribution for the year was £1,456,000 (£1,411,000 for 2020/21).

e) Pooled Fund for Care Home Accommodation Functions for Older People

Under section 169 and Part 9 Statutory Guidance of the Social Services and Wellbeing Act (Wales) 2014, Welsh Government has directed the forming of a pooled arrangement across Wales for Care Home Accommodation Functions for Older People.

The Gwent Regional Partnership Board decided to establish a pooled fund and service, by establishing a 'Gwent' section 33 agreement from the 6 organisations being 5 Local Authorities comprising of Monmouthshire, Newport, Torfaen, Blaenau Gwent and Caerphilly, along with Aneurin Bevan University Health Board.

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £99,844,467 (£95,841,580 for 2020/21) and funding of £99,844,467 (£95,841,580 for 2020/21) for the financial year ended 31st March 2022. Monmouthshire County Council's total contribution for the year was £9,419,985 (£8,870,266 for 2020/21).

16.4 Related Party Transactions

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

Central & Welsh Government

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

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in Note 16.1. During 2021/22, works and services to the value of £18.667m (£17.892m in 2020/21) were commissioned from other public bodies and companies in which nine members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, grants totalling £66,507 (£96,809 in 2020/21) were made to voluntary organisations in which three members had positions on the governing body. No grants were made to organisations whose senior management included close members of the families of members. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Receipts from other public bodies that members had an interest in totalled £478,732 (Monmouthshire Housing Association £420,982, CSC Foundry £54,000 and BBNP £3,750). Details of all these transactions are recorded in the register of members' interest, open to public inspection at the Council headquarters during office hours at its offices at County Hall, Usk, Monmouthshire, NP15 1GA.

Companies and Joint Ventures

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

Payments to / from Other Bodies

The Authority made payments and received income from other bodies during 2021-22 financial year. Payments were made to; Aneurin Bevan Health Board £1,637,011; Monmouthshire Housing Association £317,817; Homemakers £62,007 and Brecon Beacons National Park £49,128 for services received. The Authority received a payment of £3,750 for services supplied to The Brecon Beacons National Park. Receipts received totalled £1,792,897 (Monmouth Housing £420,982, Aneurin Bevan £1,314k and CSC Foundry £54k)

Senior Officers

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

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

The Chief Executive was the Acting Returning Officer and Electoral Registration Officer for Monmouthshire during 2021/22 and held the following position during the year:

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

The Head of Strategic Projects held the following position during the year:

- **Non-Executive Director to Dragon Waste Limited**

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

- **Shared Resource Services - Business Solutions - Director**

The Deputy Chief Executive & Chief Officer for Resources has an indirect involvement with:

- **Cardiff Capital Region - City Deal**
- **Science and Innovation Advisory Council**
- **UKRI's Research England Board**
- **Prince's Trust - Wales**

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

16.5 Trust Funds

The Council acts as sole or custodian trustee for a number of trust funds. The funds do not represent assets of the Council and they have not been included in the Consolidated Balance Sheet. The below balances are based upon unaudited figures for the year ended 31st March 2022:

| 2020/21 | | | | | 2021/22 | | | |
|----------------|----------------|----------------|---------------------|-------------------------|----------------|----------------|----------------|---------------------|
| Income £000 | Expend £000 | Assets £000 | Liabilities £000 | | Income £000 | Expend £000 | Assets £000 | Liabilities £000 |
| (605) | 257 | 5,542 | (227) | Welsh Church Act Fund** | (594) | 177 | 5,869 | (138) |

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.

** The 2020/21 figures have been restated to reflect the final accounts.

| | | | | | | | | |
|-----|---|-----|------|-------------------------------------|-----|---|-----|------|
| (3) | 3 | 129 | (61) | Llanelly Hill Social Welfare Centre | (6) | 5 | 129 | (60) |
|-----|---|-----|------|-------------------------------------|-----|---|-----|------|

The primary objective of the fund is the provision of a Social welfare centre to the residents of Llanelly hill. The Trust's fixed assets comprise the social welfare centre premises and land upon which it is situated.

| | | | | | | | | |
|-----|---|---|---|--------------------|-----|---|---|---|
| (0) | 0 | 7 | 0 | Chairman's Charity | (0) | 7 | 0 | 0 |
|-----|---|---|---|--------------------|-----|---|---|---|

The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.

| | | | | <i>Funds for which Monmouthshire County Council acts as custodian trustee:</i> | | | | |
|---------|-------|-------|-----|--|---------|-------|-------|---------|
| (42) | 16 | 656 | (2) | Monmouthshire Farm School Endowment | (28) | 11 | 679 | (8) |
| (1,332) | 1,119 | 1,045 | 0 | Appointeeship - Personal Monies | (1,188) | 1,131 | 1,102 | (1,045) |

16.6 Related Businesses and Operations

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

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

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

Dragon Waste Limited

The Company was formed to carry out the Council's waste disposal function. The Council previously held a 19% share holding in the company. The Company's latest available trading results are the accounts for the year ending 31st March 2021.

| 31st March 2021 | | 31st March 2022 |
|-----------------|-------------------------------|-----------------|
| £000 | | £000 |
| Final | | Draft |
| 168 | Net Assets/(Liabilities) | Not available |
| 183 | Profit/(Loss) before Taxation | Not available |
| 183 | Profit/(Loss) after Taxation | Not available |
| 0 | Dividends | Not available |

During the financial year the Council's involvement with Dragon Waste Limited ended, and at the balance sheet date no monies were owed to or from the company in respect of the arrangement.

Net payments of £699,848 were made to Dragon Waste Limited during 2021/22 (£1,597,524 during 2020/21), reflecting activity up to and including the end date of the arrangement.

Further information can be found in Dragon Waste Limited Financial Statements for the year ended 31 March 2021 which are available from the Company Secretary, Ardley Cottage, Ardley, Bicester, England, OX27 7PH.

SRS Public

The Authority entered into a public sector collaborative arrangement, known as the Shared Resource Service, with Torfaen County Borough Council (TCBC) and Gwent Police Authority in May 2011, Newport City Council and Blaenau Gwent Borough Council have joined the partnership subsequently. The arrangement has resulted in a Shared Resources Centre (SRC) being set up for the purpose of providing IT services to each member authority. A memorandum of understanding is in place to provide robust governance arrangements. The arrangement is not a separate legal entity and ownership of the SRS premises resides with TCBC. The arrangement is funded by core contributions from partners, income from desk licences and rack rentals from schools and external income. Monmouthshire's core contribution during 2021/22 included in the Council's Accounts totalled £2.237m (£2.133m in 2020/21).

The Authority owed £4,545 to SRS Public at the 31st March 2022 (£3,541 owed as at 31st March 2021).

SRS Business Solutions Limited

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

The Company's latest available trading results are the draft estimates for the year ending 31st March 2022.

| 31st March 2021 | | 31st March 2022 |
|--------------------|-------------------------------|--------------------|
| £000 Final | | £000 Draft |
| 133 | Net Assets/(Liabilities) | 136 |
| (3) | Profit/(Loss) before Taxation | (4) |
| (3) | Profit/(Loss) after Taxation | (4) |
| 0 | Dividends | 0 |

There were no transactions between Monmouthshire County Council and SRS (BS) during 2021/22 (nil in 2020/21).

Melin Homes & Y Prentis

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

The Company's latest available trading results are the financial statements for the period ending 30th September 2021.

The company is exempt from audit under section 477 of the companies act 2006 for the financial year ending September 2021.

| 31st May 2021 | | 30th Sep 2021 |
|------------------|-------------------------------|------------------|
| £000 Final | | £000 Draft |
| 308 | Total Assets/(Liabilities) | 322 |
| 8 | Profit/(Loss) before Taxation | 6 |
| 8 | Profit/(Loss) after Taxation | 5 |
| 0 | Dividends | 0 |

There were no transactions between Monmouthshire County Council and Y Prentis during 2021/22 (nil in 2020/21).

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 2022.

| 31st March 2021 | | 31st March 2022 |
|--------------------|----------------------------|--------------------|
| £000 Final | | £000 Draft |
| 244 | Total Assets/(Liabilities) | 264 |

| | |
|-----------------------------------|---|
| (2) Profit/(Loss) before Taxation | 8 |
| (2) Profit/(Loss) after Taxation | 8 |
| 0 Dividends | 0 |

Payments of £528,000 were made to the EAS during 2021/22 (£43,000 during 2020/21). Income received from EAS was £144,718. There were £161,983 balances owed by the EAS to MCC at 31st March 2022 (nil at 31st March 2021).

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 2022.

| 31st March 2021 | | 31st March 2022 |
|--------------------|-------------------------------|--------------------|
| £000 Final | | £000 Draft |
| 305 | Total Assets/(Liabilities) | 214 |
| (2) | Profit/(Loss) before Taxation | (92) |
| (2) | Profit/(Loss) after Taxation | (92) |
| 0 | Dividends | 0 |

Payments of £182,244 were made to Gwent Archives during 2021/22 (£182,244 during 2020/21). There were no balances owing to/from Gwent Archives at 31st March 2022 (nil at 31st March 2021).

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 2022.

| 31st March 2021 | | 31st March 2022 |
|--------------------|-------------------------------|--------------------|
| £000 Final | | £000 Draft |
| 2,363 | Total Assets/(Liabilities) | 2,026 |
| 63 | Profit/(Loss) before Taxation | (390) |
| 63 | Profit/(Loss) after Taxation | (390) |
| 0 | Dividends | 0 |

A dividend payment of £175,318 was due from Gwent Crematorium for the 2021/22 financial year (£210,382 during 2020/21). This was outstanding as at 31st March 2022 (nil at 31st March 2021).

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 2022.

| 31st March 2021 | | 31st March 2022 |
|-----------------|-------------------------------|-----------------|
| £000 Final | | £000 Draft |
| 308 | Total Assets/(Liabilities) | 296 |
| (12) | Profit/(Loss) before Taxation | (16) |
| (12) | Profit/(Loss) after Taxation | (16) |
| 0 | Dividends | 0 |

Two payments of £27,000 were made to Project Gwyrdd during 2021/22 relating to 2019/20 and 2020/21. There was £27,000 owing to Project Gwyrdd at 31st March 2022 (£27,000 at 31st March 2021).

Cardiff Capital Region City Deal (CCRCD)

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

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

The revenue contribution required during the year was £71,263 (£67,870 in 2020/21).

In terms of capital spending, no contribution was required in 2021/22 (£122k contribution in 2020/21) as the forecasted spend did not materialise. There were no balances owing to/from the joint committee at 31st March 2022 (nil at 31st March 2021).

CSC Foundry

During 2021/22 MCC had 'Significant Influence' over CSC Foundry Ltd which is a subsidiary of CCRCD. As at 31st March 2022 CSC Foundry had £3.0m invested with the Authority which is classified within Short term borrowing in the Balance sheet (£3.0m in 2020/21).

16.7 Senior Officer Remuneration

The remuneration paid to the Authority's senior employees, where annualised salary is equal to or more than £60,000 per year, is as follows:

| Year ended 31st March 2022 | | | | | | |
|--|--------------------------------------|-------------------------------------|--------------------|--|---|--|
| 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 | 121,754 | 0 | 0 | 121,754 | 28,125 | 149,879 |
| Chief Officer - Children and Young People | 89,416 | 0 | 0 | 89,416 | 20,655 | 110,071 |
| Chief Officer - Communities & Place | 89,526 | 0 | 0 | 89,526 | 20,681 | 110,207 |
| Chief Officer - Social Care, Safeguarding & Health (April - September) | 50,056 | 0 | 0 | 50,056 | 9,949 | 60,005 |
| Chief Officer - Social Care, Safeguarding & Health (November - March) | 42,154 | 0 | 0 | 42,154 | 9,738 | 51,892 |
| Chief Officer - Resources & Deputy Chief Executive (Section 151 Officer) | 93,142 | 0 | 0 | 93,142 | 21,516 | 114,658 |
| Chief Officer - People & Governance & Monitoring Officer | 85,691 | 0 | 0 | 85,691 | 19,100 | 104,791 |
| Head of Policy, Performance & Scrutiny | 71,409 | 0 | 0 | 71,409 | 16,496 | 87,905 |
| Total | 643,148 | 0 | 0 | 643,148 | 146,258 | 789,407 |

| Year ended 31st March 2021 | | | | | | |
|--|---|--|-------------------------|---|--|---|
| 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 | 119,955 | 0 | 0 | 119,955 | 27,710 | 147,665 |
| Chief Officer - Children & Young People | 88,095 | 0 | 0 | 88,095 | 20,350 | 108,445 |
| Chief Officer - Communities & Place | 86,871 | 0 | 0 | 86,871 | 20,067 | 106,938 |
| Chief Officer - Social Care, Safeguarding & Health | 88,095 | 0 | 0 | 88,095 | 20,350 | 108,445 |
| Chief Officer - Resources & Deputy Chief Executive (Section 151 Officer) | 88,095 | 0 | 0 | 88,095 | 20,350 | 108,445 |
| Chief Officer - People & Governance & Monitoring Officer | 75,859 | 0 | 0 | 75,859 | 17,523 | 93,382 |
| Head of Policy, Performance & Scrutiny | 70,353 | 0 | 0 | 70,353 | 16,252 | 86,605 |
| Total | 617,323 | 0 | 0 | 617,323 | 142,602 | 759,925 |

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

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

Employers' pension contributions were paid at a rate of 23.1% of pensionable pay for staff within the Local Government Pension Scheme (23.1% for 2020/21). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2021/22 (Nil in 2020/21).

In satisfying the requirement to report the Chief Executive's remuneration as a proportion of the full time equivalent median salary of Monmouthshire County Council employees, the median employee position has been calculated as £24,432. This equates to spinal point 16 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5:1.

In 2020/21, the median employee position was calculated as £24,012, equating to spinal point 16 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5:1

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

16.8 Officers' Emoluments

The number of employees whose remuneration was £60,000 or more in bands of £5,000, during the year ended 31st March 2022, was:

| 2020/21 | | Remuneration Band | 2021/22 | |
|---------------------|-------------------------------|---------------------|---------------------|-------------------------------|
| Number of employees | (Of which are teaching staff) | | Number of employees | (Of which are teaching staff) |
| 1 | 1 | £130,000 - £134,999 | 1 | 1 |
| 0 | 0 | £125,000 - £129,999 | 0 | 0 |
| 0 | 0 | £120,000 - £124,999 | 1 | 0 |
| 2 | 0 | £115,000 - £119,999 | 2 | 1 |
| 0 | 0 | £110,000 - £114,999 | 0 | 0 |
| 0 | 0 | £105,000 - £109,999 | 0 | 0 |
| 0 | 0 | £100,000 - £104,999 | 1 | 1 |
| 1 | 1 | £95,000 - £99,999 | 1 | 1 |
| 1 | 1 | £90,000 - £94,999 | 1 | 0 |
| 5 | 1 | £85,000 - £89,999 | 4 | 1 |
| 0 | 0 | £80,000 - £84,999 | 1 | 0 |

| | | | | |
|-----------|-----------|-------------------|-----------|-----------|
| 5 | 2 | £75,000 - £79,999 | 8 | 2 |
| 12 | 2 | £70,000 - £74,999 | 11 | 7 |
| 12 | 11 | £65,000 - £69,999 | 12 | 11 |
| 17 | 15 | £60,000 - £64,999 | 20 | 16 |
| 56 | 34 | Total | 63 | 41 |

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

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

Employers' pension contributions were paid at a rate of 23.1% of pensionable pay for staff within the Local Government Pension Scheme (23.1% for 2020/21) and 23.68% of pensionable pay for staff within the Teachers' Pension Scheme (23.68% in 2020/21).

16.9 Termination Benefits

The Code does not set out a precise definition of exit packages and authorities need to consider the relevant departure costs that have been recognised in the financial statements in accordance with the Code's requirements on termination benefits.

Termination benefits are defined as amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Code sets out that the form of the employee benefit does not determine whether it is provided in exchange for service or in exchange for termination of the employee's employment.

Total Cost of Exit packages reflects redundancy payments, settlement agreements to terminate employment, and any strain costs associated with the agreed enhancement of post-employment pension benefits.

| 2020/21 | | | Exit package Cost band | 2021/22 | | |
|---------------------------------------|-------------------------------------|--|------------------------|---------------------------------------|-------------------------------------|--|
| 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 |
| 29 | 8 | 203 | £0 - £20,000 | 25 | 6 | 203 |
| 1 | 0 | 27 | £20,001 - £40,000 | 5 | 1 | 155 |
| 1 | 3 | 193 | £40,001 - £60,000 | 0 | 0 | 0 |
| 2 | 1 | 194 | £60,001 - £80,000 | 1 | 0 | 65 |
| 0 | 2 | 169 | £80,001 - £100,000 | 0 | 0 | 0 |
| 0 | 0 | 0 | £100,001 - £150,000 | 1 | 0 | 103 |
| 0 | 0 | 0 | £150,001 - £200,000 | 0 | 0 | 0 |
| 33 | 14 | 786 | Total | 32 | 7 | 525 |

16.10 Events after the Balance Sheet date

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

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

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

17 STATEMENT OF ACCOUNTING POLICIES

17.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022.

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

These practices, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS), and the Service Reporting Code of Practice 2021/22 (SeRCoP).

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

17.2 Accounting Standards issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2021/22 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years. Accounting changes that are introduced by the 2022/23 Code are:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year). The Authority intends to adopt the new standard on 1st April 2024.
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes four changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard;
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material;
 - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

These changes are not expected to have a material impact on the Council's statements.

17.3 Accruals of Income and Expenditure

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

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

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

17.4 Cash and Cash Equivalents

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

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

17.5 Charges to Revenue for Non-Current Assets

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

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

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

17.6 Critical Judgements in Applying Accounting Policies

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

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

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

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

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

The items in the Authority's Balance Sheet at 31st March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Consequences if actual results differ from assumption |
|--|--|--|
| Revaluation of Property, plant & equipment | 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 | <p>Pensions Liability – Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged to provide the Council with expert advice about the assumptions to be applied. A sensitivity analysis of these assumptions is provided in Note 14. To account for the McCloud Judgement (public service pensions age discrimination cases) the actuary has made an estimated adjustment to these liabilities from the 2019 valuation data to ensure that it is captured in the 31 March 2022 IAS19 balance sheet figures.</p> <p>The Actuary has assessed the on-going impact of COVID 19 on these accounting positions as, the asset returns, values, bond yields and inflation have followed market movements and will affect the asset share value and also the value placed on obligation. For life expectancy assumptions the baseline longevity tables have not been updated due to a lack of relevant data. The future longevity trends have also not been amended as the data is not yet available to make an evidenced-based assessment.</p> <p>The Actuary has also assessed that the effect of the Ukraine war on the accounting position is quite small. Immediately after the invasion there was a fall in the Funds asset values, but by the end of March these had broadly recovered to previous levels, the Fund had an indirect exposure of 0.17% to Russian investments. The accounting assumptions used at 31 March 22 are based on market expectations which are shaped by global events including those in Ukraine.</p> | The assumptions interact in complex ways. Further information is provided in note 14 concerning the risks and sensitivity of changes in the pension assets and liabilities. |
| Provisions | The Council has included provisions for known insurance claims as at 31st March 2022. The value of these claims is based on information provided by our Insurers on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. However the outcome of these cases is still uncertain as outstanding legal cases and negotiations remain on going. | The Authority maintains the insurance and risk management reserve to assist in the control of the Authority's insurance risks. The provisions in place and the balance on the insurance and risk management reserve at 31st March 2022 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 | <p>At 31st March 2022, the Authority had an outstanding balance of short term debtors totalling £45.5m. Against this debtors balance, there is an impairment allowance of £3.5m.</p> <p>It is not absolutely certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of high inflation and cost of living crisis has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p> | <p>An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection.</p> |
|---------|---|---|

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, career average earnings, and length of service.

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

The Local Government Pension Scheme

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

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

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

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

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

Discretionary Benefits

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

17.9 Events After the Balance Sheet Date

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

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

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

17.10 Exceptional Items

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

17.11 Financial Instruments

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

Financial Liabilities

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

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

Financial Assets

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

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

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

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

17.12 Government Grants and Contributions

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

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

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

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

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

17.13 Heritage Assets

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

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

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

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

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

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

17.14 Intangible Assets

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

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

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

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

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

17.15 Inventories and Long Term Contracts

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

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

17.16 Investment Property

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

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

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

17.17 Fair value measurement

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

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

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

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

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

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

17.18 Interests in companies and other entities

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

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

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

17.19 Leases

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

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

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

The Authority as Lessee - Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Authority as Lessee - Operating Leases

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

The Authority as Lessor - Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

The Authority as Lessor - Operating Leases

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

17.20 Overheads and Support Services

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

17.21 Property, Plant and Equipment

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- **Dwellings and other buildings** – straight-line allocation over the useful life of the property as estimated by the valuer
- **Vehicles, plant, furniture and equipment** – straight-line allocation over the life of the asset as advised by a suitable qualified officer
- **Infrastructure:**
 - Carriageways** – Straight Line over 27 years
 - Street Lighting** – Straight Line over 20 years
 - Principal Rights of Way** – Straight Line over 15 years
 - Green Infrastructure** – Straight Line over 20 years
 - Bridges & Major Retaining Walls** – Straight Line over 30 years
 - Abergavenny & Caldicot Town Centre** – Straight Line over 20 years
 - Flood Alleviation & Land Slip** – Assessed on a case by case basis.

Useful lives of Infrastructure assets are reviewed annually.

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

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

Components

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

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

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

Disposals and Non-current Assets Held for Sale

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

Assets held for Sale Assets are assets where the:

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

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

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

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

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

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

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

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

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

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

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

17.23 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

17.24 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

17.25 Reserves

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

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

17.26 Revenue Expenditure Funded from Capital under Statute

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

17.27 VAT

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