

# **MONMOUTHSHIRE COUNTY COUNCIL**

## **FINAL AUDITED STATEMENT OF ACCOUNTS**

**2022/23**



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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 main 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 just over 94,000.

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; 4 Independent; 2 Green Independent.

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 budget and functions are:

#### Social Care, Health & Safeguarding

£58.7m

- Adult services
- Children's services
- Public protection
- Resources & support

#### Children & Young People

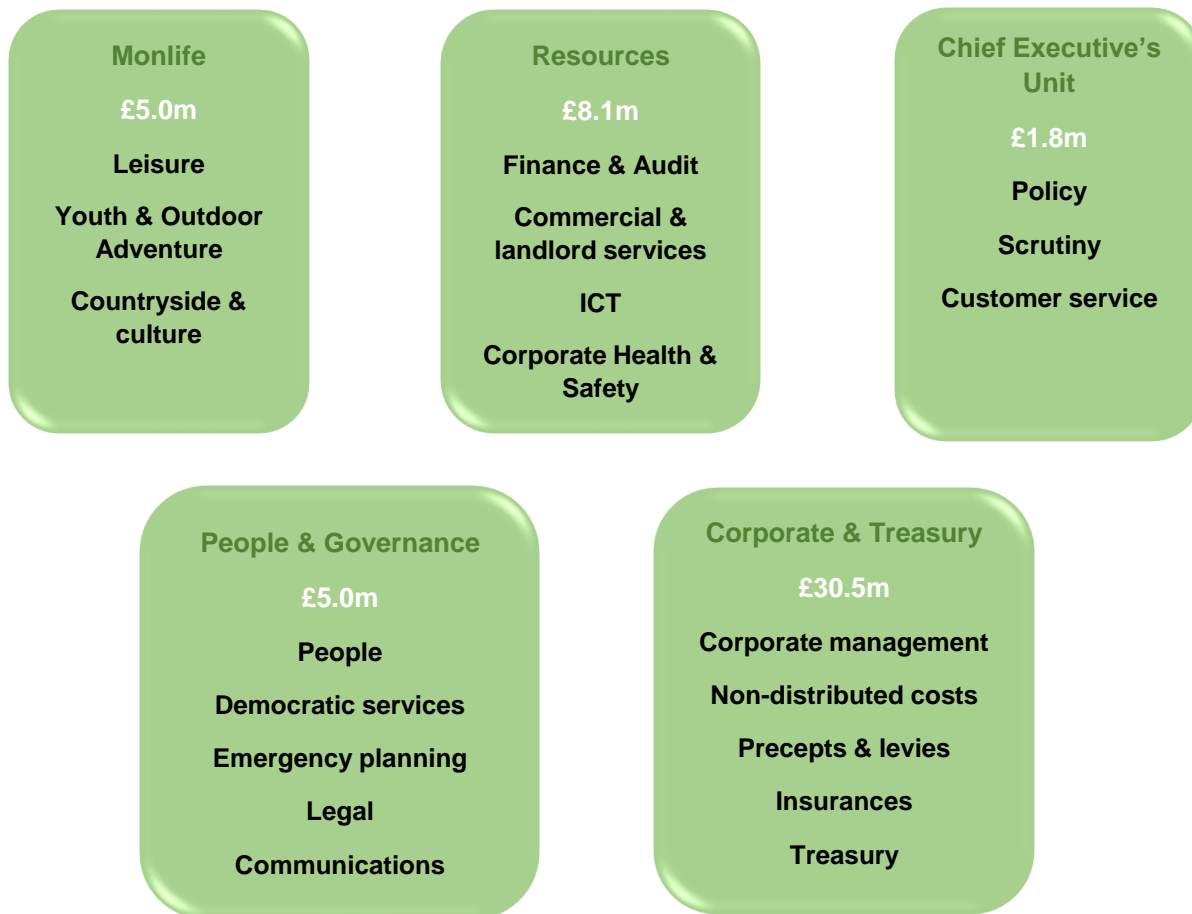
£59.3m

- Schools and Early Years provision
- Standards
- Resources

#### Communities & Place

£24.3m

- Business growth & enterprise
- Facilities & Fleet
- Neighbourhood services
- Planning & housing
- Highways & Flooding



## 1.2 Operational Performance for the Year

2022/23 saw local elections in May 2022 returning a new political administration in Monmouthshire, with a newly formed Labour Cabinet led by Council Leader Mary-Ann Brocklesby. Following the election, the new Cabinet began to articulate the biggest challenges and opportunities facing the County, culminating in the development of a new Community & Corporate plan which was finally adopted by Council in April 2023.

The ambition outlined in the Plan looks to the long-term and is focused on the well-being of current and future generations. The actions cover the first steps of the journey and will continue to shape the development of the council's medium-term financial strategy to ensure that our spending follows clear priorities.

The Community and Corporate Plan establishes a clear purpose to become a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life. This is supported by six well-being objectives, with the progress made against these during 2022/23 outlined below:

### A Safe Place to live

- The number of homeless households in temporary accommodation has decreased to 117 in 22/23, lower than last year's figure of 200, however this remains high. We have an ambition to decrease this number by 26/27
- The number of homeless applications who are successfully prevented from becoming homeless has remained at 50%
- The number of homeless households in Bed & Breakfast accommodation remains high at 92. We want to decrease this by the year 26/27

### **A Green Place to live**

- We have achieved above-target recycling rates. During 22/23, the provisional percentage of municipal waste sent for recycling, reuse or composting was 69.5%, 5.5% points above the statutory target of 64%
- The amount of waste produced per person in Monmouthshire is decreasing; the annual residual waste produced per person in the county has decreased from 143kg in 21/22 to a provisional 125kg in 22/23
- We continue to expand our network of active travel routes; the number of active travel routes created or enhanced during 22/23 was 16

### **A Thriving & Ambitious place**

- The number of working age people supported into employment through the Council's action is above the 100 we targeted to support, increasing from 100 in 21/22 to 142 in 22/23
- Only 2% of our school leavers are Not in Education Employment or Training (NEET). We want to decrease this to 1% by 26/27

### **A Fair place to live**

- The number of primary school children who are receiving universal free school meals is 2,583. We will be implementing this for all primary school children
- Latest survey results show 33% of people feel they are able to influence decisions in their local area

### **A Connected Place where people care**

- The percentage of child assessments completed within statutory timescales exceeded the target of 92% in 22/23 at 92.3%, we will look to maintain this over the coming years
- 83.5% of adult service users were happy with the care and support they received in 2022/23, below levels in previous years. We aim to increase and maintain this to 90% and above

### **A Learning Place**

- The percentage of pupil attendance at primary school was 91.8% and 88.4% at secondary school, which is significantly lower than pre-pandemic levels. The Council has committed to supporting pupils and developing strategies to address the lower attendance presenting post-pandemic, particularly in secondary schools.
- The number of permanent exclusions across primary and secondary schools was 5. We will aim to decrease this by 2026/27.

## **1.3 Financial Performance for the Year**

### **Revenue Budget for 2022/23**

The 2022/23 financial year was a significantly challenging one for the Council. Although the immediate responsive impact of the COVID-19 pandemic abated, the legacy impact in the form of the cost of living crisis and high inflationary environment emerged. This directly impacted the Council by way of significantly increased costs for key supplies and materials, as well as higher than anticipated increases in employee pay. Partners and providers also experienced those same challenges, which resulted in further pressure on the Council's budget as those costs increased the price the Council pays for services procured externally or provided for on its behalf.

As well as high inflation, the demand for supportive Council services, such as Housing, Social care and Additional learning needs increased rapidly, and demand became more complex as a consequence of the legacy impact of the pandemic.

Despite in-year budget forecasts demonstrating a budgetary pressure of over £9m as a result of these unprecedented financial challenges, the Council was able to mitigate the overall impact through in-year budget recovery action, culminating in a revenue budget over spend at year-end of £3.5m, which was met from earmarked reserves.

Further details on the outturn position are provided in the July 2023 outturn report to Cabinet.

	Revised Budget	Actual	Variance
	£000	£000	£000
<b>Net Expenditure:</b>			
<b>Net cost of services (as per internal management reporting)</b>	<b>185,741</b>	<b>190,244</b>	<b>4,502</b>
Interest and Investment Income	(100)	(1,056)	(956)
Interest Payable and Similar Charges	3,956	4,748	792
Charges Required Under Regulation	6,714	6,664	(50)
Borrowing Cost Recoupment	(3,520)	(3,969)	(449)
Capital Expenditure Financing	133	133	0
Earmarked Contributions to/(from) Reserves	(226)	(226)	0
<b>Net Revenue Budget</b>	<b>192,698</b>	<b>196,537</b>	<b>3,839</b>
<b>Financed by:</b>			
General government grants	(77,524)	(77,524)	0
Non-domestic rates	(34,753)	(34,753)	0
Council tax	(87,785)	(87,886)	(101)
Council Tax Benefit Support (included in NCS)	7,363	7,129	(234)
<b>Net Financing Budget</b>	<b>(192,698)</b>	<b>(193,034)</b>	<b>(336)</b>
<b>Year-end Deficit</b>	<b>0</b>	<b>3,503</b>	<b>3,503</b>
Year-end Transfer from Earmarked Reserves	0	(3,503)	(3,503)
Year-end Reserves adjustment - Earmarked reserves to Council Fund	0	(577)	(577)
<b>Council Fund (surplus)/deficit</b>	<b>0</b>	<b>(577)</b>	<b>(577)</b>
<b>Council Fund (surplus)/deficit - Schools</b>	<b>0</b>	<b>2,699</b>	<b>2,699</b>
<b>Council Fund (surplus)/deficit - Total</b>	<b>0</b>	<b>2,122</b>	<b>2,122</b>

The net cost of services in the table above of £190.24m 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) of £200.04m 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. Further information on these can be found in Section 10 of the accounts.

Reserves & balances	2020/21	2021/22	2022/23
	£000	£000	£000
Council Fund Balance	8,906	10,528	11,105
School Balances	3,418	6,955	4,256
Earmarked Reserves	10,671	16,115	11,549
<b>Total Usable Reserves &amp; balances available for Revenue Purposes</b>	<b>22,996</b>	<b>33,598</b>	<b>26,910</b>

**Schools:** Schools received significant one-off Welsh Government funding support during the pandemic period in order to deal with the impacts of the Covid pandemic, and the recovery in learning required post-pandemic. Schools made significant investment from their accumulated balances during 2022/23 in order to aid in this recovery.

The following table summarises the schools year-end balances position by school type:

School Balances	2020/21 £000	2021/22 £000	2022/23 £000
Comprehensives	554	2,253	1,259
Primaries	2,838	4,622	3,027
Other	26	79	(31)
<b>Total</b>	<b>3,418</b>	<b>6,955</b>	<b>4,256</b>

### Capital expenditure & financing

In addition to revenue spending, the Council spent £45.67m on its assets which is detailed below along with the corresponding finance streams:

2021/22 £000		2022/23 £000
	<b>Expenditure</b>	
1,328	Schools modernisation programme	12,258
11,599	Infrastructure	12,168
3,036	Asset management schemes	3,211
954	Inclusion schemes	2,832
644	ICT schemes	979
4,088	Regeneration schemes	6,910
1,809	Vehicles	1,977
1,752	Other	5,336
<b>25,210</b>	<b>Total Expenditure</b>	<b>45,670</b>
	<b>Financing</b>	
(3,448)	Capital receipts	(4,128)
(6,503)	Borrowing and Finance Lease Commitments	(10,608)
(15,025)	Grants and Contributions	(30,541)
(234)	Revenue and Reserve Contributions	(393)
<b>(25,210)</b>	<b>Total Financing</b>	<b>(45,670)</b>

### Significant capital receipts

The most significant capital receipts received in 2022/23 were £7m for the disposal of Rockfield Development Site. All other receipts totalled £0.8m. The Council currently ring fences all capital receipts to support ongoing capital investment priorities in line with its Community & 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 2022/23 the valuations included Community Centres, Corporate Facilities, Hubs & Public Contact Centres and Recreational Spaces. The programme for subsequent years is as follows:

- 2023/24 – Primary Schools, Recreational Spaces, Nurseries & Playgroups and Cemeteries
- 2024/25 – 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 £413.4m to £480.0m, arising from recognising the in-year asset expenditure of £41.0m; the rolling programme of revaluations increasing their held value by £45.4m, additional Land & Building uplift of £3.0m; depreciation of £(14.4)m; impairment of £(4.3)m; and book value of disposals of £(4.1)m.

## Borrowing arrangements and sources of funds

The Council's overall borrowing, on a principal valuation basis, totalled £200.2m as at 31st March 2023 (£176.2m as at 31st March 2022), comprising of the following:

31st March 2022		31st March 2023
£000		£000
87,358	Public Works Loan Board	120,792
13,812	Market Loans & Bank loans	13,811
6,031	Welsh Government	5,251
66,025	Local Government bodies	57,370
3,000	Special Purpose Vehicle	3,000
<b>176,226</b>	<b>Total borrowing</b>	<b>200,224</b>

Further information on borrowing arrangements is disclosed in notes 13.3 and 13.4 to the accounts. The increase in borrowing during 2022/23 was to support the Council's ongoing Capital investment programme. 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 2022/23 (including amounts raised for Police and Community Councils) was £1,847.25 (£1,785.68 in 2021/22) for properties in valuation Band D. We collected 96.4% in year of the total due (97.4% 2021/22). Our in-year collection rate for Non-Domestic Rates was 94.3% in 2022/23 (99.1% in 2021/22). During the year £58,000 Council Tax and £158,000 Non-Domestic Rates' debts were written off (£80,000 and £11,000 in 2021/22).

## 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 this figure for Monmouthshire and for 2022/23 this shows a net liability of £56,576,000 (£259,212,000 in 2021/22).

There is a decrease in the combined net liability of the Greater Gwent pension funds of £202,636,000 from 1 April 2022 to 31 March 2023. This has resulted from a decrease in the value of scheme liabilities of £204.66m offset by a reduction 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).

The date of the latest actuarial valuation was 31st 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.

## 1.4 The Financial Outlook

### 2023/24

The revenue budget setting process for 2023/24 was one of the most challenging budgets to date for the Council. The impact of inflation resulting in price rises on goods and services was significant, combined with soaring energy costs, increased borrowing costs, and increased pay costs. The legacy impact of the pandemic, and consequential cost of living crisis has increased demand for supportive Council services such as Social care, Homelessness, and Additional learning needs.

The size of the budget challenge, prior to any intervention, was over £26m with the cost of delivering existing services increasing by 14%. Income and funding increased by 9% (£16m) to meet some of these costs, but the Council has still been left to find savings of 5% (£10m) from services.

The Council was required to make difficult choices balancing the levels of service delivery, fees and charges, reserve usage, and Council Tax levels. As part of the process the Council approved an annual Council Tax increase of 5.95%, which increased the annual band D charge by £87.87 to £1,564.66 (excluding amounts raised for Police and Community Councils). Cabinet resolved to double its efforts to ensure that individuals and households eligible for council tax exemptions or reductions claim the benefit available to them. Take-up will be monitored through the year.



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 £45.7m (including contributions to the Cardiff Capital Region City Deal (CCRCD) initiative) budgeted to be spent in 2023/24.

### **The Medium Term**

The medium term prognosis is of significant concern with the current Medium Term Financial Plan indicating a funding gap of £23.5m over the next three years based on indicative Welsh Government funding settlements, and prior to recognising new responsibilities and demands upon services. We are seeing rises in the demand for supportive services, and higher complexity needs in areas such as Children's services, Adult Social Care, Homelessness, and Children's additional learning.

Alongside this, the risks presenting in the wider economic environment around inflation, interest rates, and the labour market, are expected to place upward pressure on budgets over the medium term.

At a local level, it is important to recognise the impact that the current economic environment is having on our communities, with the ongoing cost of living crisis, driven by the legacy impact of the pandemic and ongoing conflict in Ukraine, having a significant impact upon disposable incomes and economic growth across the region.

The Council is not blessed with significant levels of reserves, and therefore difficult choices will need to be made in future budget rounds to balance the needs of service delivery and the aspirations of the Council's Community & Corporate Plan, with available funding. It is clear that a level of service transformation that looks to redefine the shape and size of our services will be required over the medium term, in order to arrive at a financially sustainable path for the Council. The Council's upcoming Medium Term Financial Strategy will be a key tool in delivering this change over time.

### **Cardiff Capital Region City Deal (CCRCD)**

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 CCRCD Regional Cabinet.

The revenue contribution required during the year was £74,826 (£71,263 in 2021/22). The capital contribution to the project was not required during 2022/23, as was the case in 2021/22, due to reprofiling of the investment pipeline.

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.

## **1.5 The Accounting Statements**

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

### ***Movement in Reserves Statement***

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

### ***Comprehensive Income and Expenditure Statement***

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

### ***Balance Sheet***

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

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

### **Cash Flow Statement**

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

### **Notes to the Accounts**

The core financial statements outlined above are supported by notes to further assist the reader in interpreting the Authority's financial position for the year ended 31st March 2023. The notes are sectioned to aid the user of the accounts to navigate the extensive supporting notes.

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**Peter Davies**  
**Deputy Chief Executive (S151 Officer)**

22nd February 2024

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**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 2023 and its income and expenditure for the year ended 31st March 2023.

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**Peter Davies**  
**Deputy Chief Executive (S151 Officer)**

22nd February 2024

**Date**



monmouthshire  
sir fynwy

# **ANNUAL GOVERNANCE STATEMENT**

**2022/23**

## **Executive Summary**

This Annual Governance Statement demonstrates that Monmouthshire County Council 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 can demonstrate 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.

The Council has managed to maintain the majority of its governance arrangements this year and has sound and effective arrangements in place in the services it delivers. The Code of Corporate Governance was presented to the Council's former Audit Committee in June 2020 and approved by Cabinet in September 2021.

Audit Wales's review of Good Governance (2017) 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 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 (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), 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 2021/22 Action Plan is shown on page 30.

### **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, 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 CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government', was initially approved by Council in July 2011; the Code was revised and updated again in June 2020, approved by Cabinet in 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 Council plan to review the Code of Corporate Governance during the 2023/24 financial year as an area for future improvement (action 2).

### **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 in 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<sup>st</sup> March 2023 and up to the date of approval of the statement of accounts.

## The Governance Framework

- 10 The Council's Code of Corporate Governance is in line with the CIPFA / SOLACE 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

- 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 Since the Local Government elections in May 2022, a new administration and new Leader of the Council were elected. The administration has been working without a majority. Over the course of the year this administration, along with officers, developed a Community and Corporate Plan 2022-28. This was approved by Council on 20<sup>th</sup> April 2023.

- 14 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.
- 15 During 2021/22 Monmouthshire PSB merged with other local PSBs to form the Gwent PSB. The PSB presented its annual report 2021/22 in July 2022 to the Public Services Scrutiny Committee.
- 16 Over the course of the 2022/23 financial year, the Gwent PSB 'Draft Gwent Wellbeing Plan' was considered twice by the Public Services Scrutiny Committee. The Committee raised a number of concerns regarding the draft plan and questioned the efficacy of the pre-decision scrutiny of the plan. The Committee agreed to write to the Leader of the Council to highlight their concerns.

**Review of Effectiveness**

- 17 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.
- 18 The review of effectiveness has been completed using a six point scale which is used within Monmouthshire County Council to assess the performance framework and progress with the Community and Corporate Plan.

Level	Definition	Description
6	Excellent	Excellent or outstanding – All performance measures have achieved the target set and all actions have been delivered.
5	Very Good	Major strengths – A significant majority of actions and measures are on track. No more than one or two falling short.
4	Good	Important strengths with some areas for improvement – The weight of evidence shows that the successes are greater than the areas that have not been achieved.
3	Adequate	Strengths just outweigh weaknesses – The evidence of success marginally outweighs areas that are not on track. Some actions are behind schedule and some measures are falling short of planned targets.
2	Weak	Important weaknesses – The majority of measures and actions have not been achieved.
1	Unsatisfactory	Major weakness – In most areas performance is assessed as moving in the wrong direction and the vast majority of actions have not been delivered

- 19 The governance arrangements continue to be regarded as fit for purpose.

**Chief Internal Auditor Statement and Annual Opinion**

- 20 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion based upon and limited to the work performed on the overall adequacy and effectiveness of Monmouthshire County Council's framework of governance, risk management and internal control. This is achieved through a risk-based plan of work, agreed with management, which should provide a reasonable level of assurance. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.



The Internal Audit team has completed its internal audit work for the year based upon the Operational Audit Plan approved by the Governance & Audit Committee in June 2022. The Plan was designed to ensure adequate coverage over the Council's financial and operational systems using a risk based assessment methodology.

The audit work included reviews, on a sample basis, of each of these systems/establishments sufficient to discharge the Authority's responsibilities for Internal Audit under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. Work was planned in order to provide sufficient evidence to give me reasonable assurance of the internal control environments tested.

The 2022/23 Audit opinion is partially reliant on previous work undertaken by the team where Reasonable Assurance opinions were issued; there have been no significant changes to the organisation's systems or key personnel and no major frauds were identified.

Internal Audit opinions on the work undertaken at the Shared Resource Service by Torfaen Internal Audit team were also taken into consideration.

Based on the planned work undertaken during the year, in my view the internal controls in operation give **Reasonable Assurance**; *Adequately controlled, although some risks identified which could compromise the overall control environment. Improvements required.*

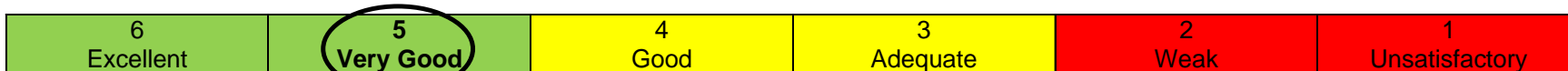
The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Jan Furtek  
Audit Manager (Acting Chief Internal Auditor)  
June 2023

It is worth noting that the following changes to key Governance positions have occurred within Monmouthshire County Council between the end of the 2022/23 financial year and the date of publication of the Annual Statement of Accounts.

- The Chief Internal Auditor left the Authority in April 2023. The duties of this position are being fulfilled by the Audit Manager who is suitably qualified to undertake this role.
- The Chief Officer People & Governance (Monitoring Officer) left their role in July 2023, with their replacement appointed in November 2023 and redesignated as the Chief Officer for Law & Governance (Monitoring Officer).

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



The Council is accountable not only for how much it spends, but also for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, we can demonstrate the appropriateness of all our actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement																
<b>Behaving with integrity</b>	<ul style="list-style-type: none"> <li>Members Code of Conduct in Constitution which reflects Local Authorities (Model Code of Conduct) (Wales) Order 2016</li> <li>Officers Code of Conduct in Constitution</li> <li>Registers of interests / hospitality</li> <li>Induction training</li> <li>Member/Officer Protocol in Constitution</li> <li>Member led Authority principles/document</li> <li>Member training programme</li> <li>Council Values — Openness, Fairness, Flexibility, Teamwork, Kindness</li> <li>Whistleblowing Policy</li> <li>Anti-Fraud, Bribery and Corruption Policy</li> <li>Standards Committee</li> <li>Standards Committee Annual Report presented to Council</li> <li>Member Dispute Resolution</li> <li>Complaints procedure</li> </ul>	<ul style="list-style-type: none"> <li>The Code of Conduct for Members and the protocol on Member / Officer relationships are set out in the Constitution, was updated in May 2022.</li> <li>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 2 times during 2022/23.</li> <li>Public Service Ombudsman Wales Annual Report (2021/22) was presented to Cabinet in October 2022.</li> <li>Conduct Complaints about MCC Members received by the Public Services Ombudsman: <table border="1" data-bbox="896 1053 1590 1340"> <thead> <tr> <th></th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> </tr> </thead> <tbody> <tr> <td>Not upheld</td> <td>2</td> <td>1</td> <td>2</td> </tr> <tr> <td>Referred to Standards Committee</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Referred to Adjudication Panel</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table> </li> </ul>		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	<ul style="list-style-type: none"> <li>Establish a 'Governance Working Group' to discuss and review the Governance arrangements across Monmouthshire Council to ensure they are fit for purpose. (Action 1)</li> <li>As part of the Governance Working Group, review the Council's Code of Corporate Governance. (Action 2)</li> </ul>
	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																

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement				
<b>Behaving with integrity</b>	<ul style="list-style-type: none"> <li>▪ Decision 'Call In' process</li> </ul>	<table border="1" data-bbox="902 181 1585 261"> <tr> <td data-bbox="902 181 1196 261">TOTAL COMPLAINTS CLOSED</td> <td data-bbox="1196 181 1326 261">2</td> <td data-bbox="1326 181 1456 261">1</td> <td data-bbox="1456 181 1585 261">2</td> </tr> </table> <ul style="list-style-type: none"> <li>▪ No judicial reviews were commenced or dealt with at the pre-action stage in the previous year.</li> <li>▪ The Governance &amp; Audit Committee met 9 times during 2022/23 and has the responsibility for ensuring that sufficient checks are in place to identify any potential misconduct within the authority.</li> </ul>	TOTAL COMPLAINTS CLOSED	2	1	2	
TOTAL COMPLAINTS CLOSED	2	1	2				
<b>Demonstrating strong commitment to ethical values</b>	<ul style="list-style-type: none"> <li>▪ Council Values — Openness, Fairness, Flexibility, Teamwork, Kindness</li> <li>▪ Contract procedure rules</li> <li>▪ Financial procedure rules</li> <li>▪ Codes of conduct for members and employees</li> <li>▪ Whistleblowing Policy</li> </ul>	<p>The ethical governance framework includes:</p> <ul style="list-style-type: none"> <li>▪ Codes of conduct for officers and Members.</li> <li>▪ A protocol governing Member/Officer relations.</li> <li>▪ A whistle-blowing policy widely communicated within the Council.</li> <li>▪ Registers of personal and business interests for Members.</li> <li>▪ Declarations of interests for Chief Officers.</li> <li>▪ 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 learnt can be applied.</li> <li>▪ All exemptions of the Contract Procedure Rules are reported through the Governance &amp; Audit Committee periodically. The Internal Audit team co-ordinates the exemption process in conjunction with strategic procurement.</li> <li>▪ The Governance &amp; 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 2022/23.</li> <li>▪ A Scrutiny and Executive Protocol is in place which is aligned to the updated constitution of May 2022 and provides parameters for effective executive and scrutiny relationships.</li> </ul>					
<b>Respecting the rule of law</b>	<ul style="list-style-type: none"> <li>▪ Member and Officer Code of Conduct in Constitution</li> <li>▪ Role of Chief Executive, Section 151 Officer and Monitoring Officer established in Constitution</li> <li>▪ CIPFA statement on the Role of the Chief Financial Officer</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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 intranet and website.</li> <li>▪ 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</li> </ul>					

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Anti-Fraud, Bribery and Corruption Policy</li> <li>▪ Governance &amp; Audit Committee</li> <li>▪ Internal Audit Section</li> <li>▪ Internal Audit Annual Report presented to Governance &amp; Audit Committee</li> <li>▪ External Auditors Annual Audit Letter</li> <li>▪ Standards Committee</li> <li>▪ Whistleblowing Policy</li> <li>▪ Complaints procedure</li> <li>▪ Decision 'Call In' process</li> </ul>	<p>Executive and Chief Officer Resources (S151 Officer) attends SLT, Cabinet and Council meetings.</p> <ul style="list-style-type: none"> <li>▪ 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 2022/23, or in the previous year, 2021/22.</li> <li>▪ An Anti-Bribery compliance update and annual risk assessment was presented to the Governance &amp; Audit Committee by the Deputy Chief Executive (S151 Officer) in October 2022.</li> </ul>	

**Principle B: Ensuring openness and comprehensive stakeholder engagement**



Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p><b>Openness</b></p>	<ul style="list-style-type: none"> <li>▪ Agendas published in advance of meetings</li> <li>▪ Minutes published following meetings</li> <li>▪ Democratic meetings live streaming on YouTube</li> <li>▪ Decision making process described in Constitution</li> <li>▪ Forward Plan published on internet showing key decisions to be made by Council and Cabinet</li> <li>▪ Annual budget consultation</li> <li>▪ Freedom of Information Scheme</li> <li>▪ Public questions at Council, Cabinet and Select Committees</li> <li>▪ Engagement with hard to reach groups, including those with the protected characteristics defined by the Equality Act 2010. As well as engagement with children and young people to meet the requirement of the United Nations Convention on the Rights of the Child (UNCRC).</li> <li>▪ Publication of open data sets on the Council's website</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agendas are published in advance of all meetings on the Council's website; corresponding minutes are published post meeting.</li> <li>▪ Transparency and openness are important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance &amp; 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. 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.</li> <li>▪ A Forward Plan showing key decisions to be made by Council, Cabinet and Committees is published.</li> <li>▪ The Council's website contains links to the following areas of open data in the interests of openness:                         <ul style="list-style-type: none"> <li>○ List of expenditure over £500</li> <li>○ Our spend data as a useful dashboard</li> <li>○ Food Hygiene ratings</li> <li>○ List of Primary Schools</li> <li>○ List of Secondary Schools</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Review the minute taking process and assess any opportunities to further digitise. (Action 3)</li> <li>▪ Increase the number of datasets published on the council's website. (Action 4)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Publication of open data sets on the council website</li> </ul>	<p>Following a decision of the First Tier Information Rights Tribunal (EA/2018/0033) the Authority no longer publishes business rates data on its open data web page. It will no longer disclose information about business rate accounts in response to FOI requests.</p> <ul style="list-style-type: none"> <li>▪ 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 &amp; 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.</li> <li>▪ 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.</li> <li>▪ Corporate risks are published.</li> </ul>	
<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<ul style="list-style-type: none"> <li>▪ Gwent Public Service Board Partnership arrangements and structure</li> <li>▪ Monmouthshire Public Service Board Well-Being Plan</li> <li>▪ Gwent Public Service Board Well-Being Plan</li> <li>▪ Public Services Select Committee</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<ul style="list-style-type: none"> <li>▪ Over the course of the 2022/23 financial year, the Gwent PSB 'Draft Gwent Wellbeing Plan' was considered twice by the Public Services Scrutiny Committee. The Committee raised a number of concerns regarding the draft plan and questioned the efficacy of the pre-decision scrutiny of the plan. The Committee agreed to write to the Leader of the Council to highlight their concerns.</li> </ul>	
<p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p>	<ul style="list-style-type: none"> <li>▪ Ward role of Councillors</li> <li>▪ Consultations on the council website and social media platforms</li> <li>▪ Complaints Policy and Annual Report</li> <li>▪ Medium Term Financial Plan (MTFP)</li> <li>▪ Complaints procedure</li> <li>▪ Integrated Impact Assessment including Future Generations evaluation and Equality Impact Assessment, on decision reports</li> <li>▪ Strategic Equality Plan</li> <li>▪ Communication via Social Media</li> </ul>	<ul style="list-style-type: none"> <li>▪ Social media e.g. Twitter, Facebook and YouTube, are 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. They can also submit written, audio or video representations to Scrutiny Committees and submit suggested topics for the scrutiny forward work programme via the Scrutiny Website <a href="http://www.monmouthshire.gov.uk/scrutiny">www.monmouthshire.gov.uk/scrutiny</a>. Chief Officers, Members and the Communications team are very proactive in engaging with the public.</li> <li>▪ Public engagement events and YouTube continued to be used in 2022/23 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.</li> <li>▪ The Medium Term Financial Plan supports the vision for Monmouthshire and extensive public engagement continued in 2022/23 for the 2023/24 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.</li> </ul>	

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



The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<b>Defining Outcomes</b>	<ul style="list-style-type: none"> <li>▪ Corporate Plan produced and reviewed annually in accordance with Local Government &amp; Elections Act 2021 and 'Wellbeing Objectives' in Wellbeing of Future Generations (Wales) Act 2015</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Corporate Plan Annual Self-Assessment Report</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Monthly Financial Monitoring meetings held for each service area</li> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Capital Review Programme</li> <li>▪ Self-Assessment report</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Over the course of the 2022/23 year, following the local government elections in May 2022, Officers have worked with the new administration to develop a Community &amp; Corporate Plan for 2022-2028. Draft plans were submitted to and considered by Full Council in October 2022, and January 2023 prior to it being approved in April 2023.</li> <li>▪ The Community &amp; Corporate Plan 2022-2028, "Taking Monmouthshire Forward" sets a purpose 'To become a zero-carbon county, supporting well-being, health and dignity for everyone at every stage of life'. This is underpinned by the Councils 6 objectives (fair place, green place, thriving &amp; ambitious place, safe place, connected place and learning place) and 5 values (teamwork, openness, fairness, flexibility and kindness).</li> <li>▪ Monmouthshire County Council is a member of the Gwent PSB (July 2021), where we work with other public services and the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review the revenue and capital budget process and the Councils financial strategy. (Action 5)</li> </ul>



Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<p>Following a decision of the First Tier Information Rights Tribunal (EA/2018/0033) the Authority no longer publishes business rates data on its open data web page. It will no longer disclose information about business rate accounts in response to FOI requests.</p> <ul style="list-style-type: none"> <li>▪ 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 &amp; 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.</li> <li>▪ 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.</li> <li>▪ Corporate risks are published.</li> </ul>	
<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<ul style="list-style-type: none"> <li>▪ Gwent Public Service Board Partnership arrangements and structure</li> <li>▪ Monmouthshire Public Service Board Well-Being Plan</li> <li>▪ Gwent Public Service Board Well-Being Plan</li> <li>▪ Public Services Select Committee</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Future Generations Evaluation, including Equality Impact Assessment, on decision making reports</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Climate Emergency Strategy and Action Plan</li> </ul>	<p>In May 2019 Monmouthshire County Council declared a Climate Emergency. Plans are underway to meet our target to reduce council carbon emissions to zero by 2030. In November 2021, following wide community consultation, an updated and amended action plan was published.</p>	

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

6 Excellent	5 <b>Very Good</b>	4 Good	3 Adequate	2 Weak	1 Unsatisfactory
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Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource input while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<b>Determining interventions</b>	<ul style="list-style-type: none"> <li>▪ Corporate Plan</li> <li>▪ Scrutiny / Select Committee function</li> <li>▪ Risk management policy and guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Finance and Legal implications in all Council, Cabinet and Committee reports report writing template and guidance</li> <li>▪ Future Generations Evaluation (including Equality Impact Assessment)</li> <li>▪ Results of consultation exercises</li> <li>▪ Reports to Government Agencies</li> <li>▪ Enabling strategy framework</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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 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 Guidance on Schools Causing Concern (March 2016).</li> <li>▪ Regular reporting into Cabinet, Scrutiny and Governance &amp; 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 &amp; Audit Committee in September 2022 and Performance &amp; Overview Scrutiny Committee in December 2022.</li> <li>▪ 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 163 complaints received in 2021/22, 151 were resolved informally with 12 being formally investigated, 2 of which were referred the Ombudsman, with none formally</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure that a suite of enabling strategies and a framework is in place to identify and support any interventions needed. (Action 6)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<p>investigated. 455 comments were received along with 246 compliments (Governance &amp; Audit Committee March 2023).</p> <ul style="list-style-type: none"> <li>▪ A separate report containing the Ombudsman's findings in relation to complaints about Monmouthshire County Council was reported separately to both Cabinet and Governance &amp; Audit Committee. It showed that Monmouthshire has one of the lowest levels of complaints reported to the Ombudsman at 0.21 per 1,000 residents.</li> <li>▪ Consultation on budget proposals is extensive.</li> <li>▪ The Authority makes numerous annual returns to various external Governing Bodies, such as the Food Standards Agency, Drinking Water Inspectorate, Department for Levelling Up &amp; Communities, Department for Transport, Home Office, Gambling Commission, DEFRA, Health &amp; Safety Executive, General Registrar's Office, National Fraud Initiative and other government departments'. These allow the Council to self-assess and determine if any intervention is required within the services provided.</li> </ul>	
<p><b>Planning Interventions</b></p>	<ul style="list-style-type: none"> <li>▪ Monthly Financial Monitoring meetings for each Directorate reviews progress and authorises corrective action where necessary</li> <li>▪ Medium Term Financial Plan</li> <li>▪ Annual budget setting process in place including consultation exercise</li> <li>▪ Financial procedure rules</li> <li>▪ Senior Management Structure</li> <li>▪ Corporate Plan produced and reviewed annually in accordance with Local Government and Elections Act 2021 and 'Wellbeing Objectives' in Wellbeing of Future Generations (Wales) Act 2015</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Annual Self-Assessment Report</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council has established robust planning and control cycles covering strategic and operational plans, priorities and targets which is achieved through: <ul style="list-style-type: none"> <li>○ A timetable for producing and reviewing plans on an annual basis.</li> <li>○ Working with a consultation and engagement strategy.</li> <li>○ Quarterly and annual performance monitoring including achievement of national and local performance indicators.</li> </ul> </li> <li>▪ There is robust Medium Term Financial Planning.</li> <li>▪ There is an annual budget setting process in place including an extensive consultation exercise.</li> <li>▪ Self-assessment report presented to Governance &amp; Audit Committee and Performance &amp; Overview Scrutiny Committee to review, scrutinise and make any recommendations for changes.</li> <li>▪ Self-assessment report agreed by Council and published in September 2022. The report provides an assessment of the extent the council met its wellbeing goals, which were set out in the Corporate Plan 2017- 22, the evidence to show this and identified areas of improvement. It also provided an evaluation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review Service Business Plans to ensure they align to the new Community &amp; Corporate Plan. (Action 7)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ Public Service Board Well-being Plan</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Reports to Government Agencies</li> </ul>	<p>of the key activity delivered as part of the interim Coronavirus strategies and the ‘enabling functions’ that support council services to meet changing demands and ensure their sustainability including financial planning, workforce planning, procurement, assets, digital and data.</p>	
<p><b>Optimising achievement of intended outcomes</b></p>	<ul style="list-style-type: none"> <li>▪ Quarterly Financial Monitoring reports to Cabinet and scrutiny</li> <li>▪ Mid-Year Budget Statement to Cabinet</li> <li>▪ Medium Term Financial Plan</li> <li>▪ Budget consultation</li> <li>▪ Community &amp; Corporate Plan</li> <li>▪ Annual Self-Assessment Report</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council ensures the Medium Term Financial Strategy integrates and balances service priorities, affordability and other resource constraints by setting out any shortfall in resources and spending requirements in the context of service priorities.</li> <li>▪ To ensure that the budget process is all inclusive there is regular engagement with members with robust scrutiny by the Service Improvement &amp; Finance Scrutiny</li> <li>▪ The achievement of the Community &amp; Corporate Plan is reviewed at least annually.</li> </ul>	

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

6 Excellent	5 Very Good	4 Good	3 <b>Adequate</b>	2 Weak	1 Unsatisfactory
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Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p><b>Developing the entity's capacity</b></p>	<ul style="list-style-type: none"> <li>▪ Performance review for all staff where required by them or their line manager</li> <li>▪ People Strategy</li> <li>▪ Quarterly financial reports to Cabinet and Scrutiny Committees</li> <li>▪ Partnership &amp; collaborative working arrangements</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Community &amp; Corporate Plan Annual Self-Assessment Report</li> <li>▪ Public Service Board Well-being Plan annual report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ 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 2022.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A learning management system to be implemented across the organisation to coordinate all training including for schools. (Action 8)</li> <li>▪ A full analysis to define and identify any training need(s). A focus will be to prioritise ensuring people are suitably qualified and experienced to fulfil roles, capable of leadership, future professional development, and staff are digitally enabled. (Action 9)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Appropriate and relevant job descriptions were in place for the Chief Executive, Strategic Leadership Team (SLT), Monitoring Officer and Head of Finance.</li> <li>▪ 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.</li> </ul>	
<p><b>Developing the capability of the entity's leadership and other individuals</b></p>	<ul style="list-style-type: none"> <li>▪ Member/Officer Protocol in Constitution</li> <li>▪ Scheme of Delegation published in Constitution</li> <li>▪ Scrutiny member development programme</li> <li>▪ Occupational Health and Wellbeing Policy exists with aim of promoting the health and wellbeing of all employees to enable them to achieve their full potential at work</li> <li>▪ Internal and external audit reports and action plans</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monmouthshire Council takes an active part in the INFUSE programme which is designed to build skills and capacity for future public services across the Cardiff Capital Region. 9 associates from MCC took part in cohort 3 which commenced in January 2023.</li> <li>▪ There has been member led training with both senior officers and cabinet members.</li> <li>▪ There are regular 1-2-1 meetings with the Leader, Cabinet members, Chief Executive, SLT and Heads of Service.</li> <li>▪ The Constitution sets out the Scheme of Delegation which is regularly reviewed.</li> <li>▪ Annual appraisal and performance review</li> </ul>	

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



Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will ensure financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p><b>Managing Risk</b></p>	<ul style="list-style-type: none"> <li>▪ Risk Management Policy and Guidance</li> <li>▪ Whole Authority Strategic Risk Register</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area, including service risk registers</li> <li>▪ Strategic Risk Register reported to Governance &amp; Audit Committee, Performance &amp; Overview Scrutiny Committee and Cabinet</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council’s Strategic Risk Management Policy was updated and approved by Cabinet in March 2019; progress was reported into Governance &amp; Audit Committee in September 2022. 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.</li> <li>▪ Within the Council the purpose of risk management is to:                             <ul style="list-style-type: none"> <li>○ preserve and protect the Council’s assets, reputation and staff.</li> <li>○ aid good management of risk and support whole authority governance.</li> <li>○ aid delivery of its population outcomes internally and when working with partners.</li> <li>○ improve business performance and anticipated risks in delivering improvements.</li> <li>○ avoid unnecessary liabilities, costs and failures.</li> <li>○ shape procedures and responsibilities for implementation.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Review and update the Councils Strategic Risk Management Policy. Improve how reports are presented to Cabinet and the Governance &amp; Audit Committee to provide the necessary assurance. (Action 10)</li> <li>▪ Review the governance arrangements for Corporate Health and Safety to ensure the Council is provided with an assurance that key health and safety risks are being effectively managed across the organisation. (Action 11)</li> </ul>



Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<ul style="list-style-type: none"> <li>▪ The strategic risk assessment ensures that: <ul style="list-style-type: none"> <li>○ Strategic risks are identified and monitored by Monmouthshire.</li> <li>○ Risk controls are appropriate and proportionate.</li> <li>○ Senior managers and elected members systematically review the strategic risks facing the Council.</li> </ul> </li> <li>▪ 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 &amp; 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.</li> <li>▪ The Council's Strategic Risk Assessment for 2022/23 contained 14 risks. These were reviewed throughout the year with the latest version was presented to Governance &amp; Audit Committee in March 2023. Following mitigation there were 8 medium risks and 8 high risks.</li> </ul>	
<b>Managing performance</b>	<ul style="list-style-type: none"> <li>▪ Community &amp; Corporate Plan produced and reviewed annually</li> <li>▪ Corporate Plan Annual Self-Assessment Report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area.</li> <li>▪ Quarterly, six monthly &amp; annual Performance Monitoring Reports</li> <li>▪ Director of Social Services Annual report</li> <li>▪ Chief Officer Children &amp; Young People Annual Report</li> <li>▪ Scrutiny function</li> <li>▪ Bi-monthly Directorate and Financial monitoring meetings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Audit Wales presented the Councils ISA2060 report for 2021/22 to the Governance &amp; Audit Committee in February 2023.</li> <li>▪ The Councils Self-Assessment report 2021/22 was completed in line with requirements outlined in the Local Government and Elections (Wales) Act 2021 to ensure that members and the public had a clear and transparent assessment of the Council's performance in 2021/22.</li> <li>▪ The Authority makes numerous annual returns to various external Governing Bodies and Government Agencies, such as the Food Standards Agency, Drinking Water Inspectorate, Department for Levelling Up &amp; Communities, Department for Transport, Home Office, Gambling Commission, DEFRA, Health &amp; Safety Executive, General Registrar's Office, National Fraud Initiative and other government departments'.</li> </ul>	
<b>Robust internal control</b>	<ul style="list-style-type: none"> <li>▪ Governance &amp; Audit Committee provides assurance on effectiveness</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Governance &amp; Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Update the Council's Anti-Fraud, Bribery &amp; Corruption Policy and</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<p>on internal control, risk management and governance</p> <ul style="list-style-type: none"> <li>▪ Governance &amp; Audit Committee Annual Report to Council</li> <li>▪ Anti-Fraud, Bribery and Corruption Policy</li> <li>▪ Role of Internal Audit Section</li> <li>▪ Annual Plans approved by Governance &amp; Audit Committee</li> <li>▪ Annual Reports to Governance &amp; Audit Committee</li> <li>▪ Annual Governance Statement</li> </ul>	<p>arrangements. The Governance &amp; 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 &amp; Audit Committee has an independent, non-political, Chairperson who prepares an annual report of the work of the Governance &amp; Audit Committee.</p> <ul style="list-style-type: none"> <li>▪ 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 &amp; Audit Committee September 2021). The Chief Internal Auditor reports a summary of audit findings to the Governance &amp; 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.</li> <li>▪ 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. A new external quality assessment is now overdue.</li> <li>▪ 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.</li> <li>▪ 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</li> </ul>	<p>raise awareness across the Council. (Action 12 - c/f)</p> <ul style="list-style-type: none"> <li>▪ Complete an External Quality Assessment of the Council's Internal Audit Service as required by the Public Sector Internal Audit Standards. (Action 13)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement																								
		<ul style="list-style-type: none"> <li>▪ Governance &amp; Audit Committee (October 2022). 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 &amp; Audit Committee (January 2020). This needs to be further rolled out across the Council.</li> <li>▪ The overall opinion on the adequacy of the internal control environment for 2022/23 was <b>REASONABLE</b>. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The Internal Audit opinions issued in 2022/23 were; <table border="1" data-bbox="848 560 1561 810" style="margin: 10px auto;"> <thead> <tr> <th data-bbox="848 560 1182 624">Opinion</th> <th data-bbox="1182 560 1305 624">2020-21</th> <th data-bbox="1305 560 1435 624">2021-22</th> <th data-bbox="1435 560 1561 624">2022-23</th> </tr> </thead> <tbody> <tr> <td data-bbox="848 624 1182 663">Substantial Assurance</td> <td data-bbox="1182 624 1305 663">2</td> <td data-bbox="1305 624 1435 663">5</td> <td data-bbox="1435 624 1561 663">7</td> </tr> <tr> <td data-bbox="848 663 1182 703">Considerable Assurance</td> <td data-bbox="1182 663 1305 703">6</td> <td data-bbox="1305 663 1435 703">6</td> <td data-bbox="1435 663 1561 703">10</td> </tr> <tr> <td data-bbox="848 703 1182 743">Reasonable Assurance</td> <td data-bbox="1182 703 1305 743">1</td> <td data-bbox="1305 703 1435 743">7</td> <td data-bbox="1435 703 1561 743">4</td> </tr> <tr> <td data-bbox="848 743 1182 783">Limited Assurance</td> <td data-bbox="1182 743 1305 783">0</td> <td data-bbox="1305 743 1435 783">2</td> <td data-bbox="1435 743 1561 783">1</td> </tr> <tr> <td data-bbox="848 783 1182 810"><b>Total</b></td> <td data-bbox="1182 783 1305 810"><b>9</b></td> <td data-bbox="1305 783 1435 810"><b>20</b></td> <td data-bbox="1435 783 1561 810"><b>22</b></td> </tr> </tbody> </table> </li> <li>▪ Reasons why the outcome of an audit review which was deemed to provide Limited Assurance will be presented in a report to the Governance &amp; Audit Committee; assurances have been sought from respective operational managers that action will be taken to make the necessary improvements in control.</li> <li>▪ The Internal Audit team did not have a full complement of staff for the whole year. 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 2022/23 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.</li> </ul>	Opinion	2020-21	2021-22	2022-23	Substantial Assurance	2	5	7	Considerable Assurance	6	6	10	Reasonable Assurance	1	7	4	Limited Assurance	0	2	1	<b>Total</b>	<b>9</b>	<b>20</b>	<b>22</b>	
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<b>Total</b>	<b>9</b>	<b>20</b>	<b>22</b>																								
<b>Managing data</b>	<ul style="list-style-type: none"> <li>▪ We have established an Information Security &amp; Technology Team across the organisation, including education</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ Our comprehensive governance and security arrangements for data and information have enabled us to gain accreditation in industry standards for cyber security.</li> <li>▪</li> </ul>																									

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
	<ul style="list-style-type: none"> <li>▪ A cyber security team is in place to support, advise and train our workforce. The same team provides a cyber audit function of our ICT infrastructure and governance arrangements</li> <li>▪ The Information Governance Group with participants from each directorate</li> <li>▪ A Senior Information Risk Officer (SIRO) in place</li> <li>▪ Mandatory training in GDPR and Cyber Security, alongside comprehensive guidance and policies for all aspects of data management</li> <li>▪ Information Asset Register</li> <li>▪ Information sharing &amp; publication guidance in place</li> <li>▪ A comprehensive EDRMS is in place</li> <li>▪ Annual National and Local performance Indicator data collection process and internal audit arrangements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cyber security arrangements cover cultural, physical and electronic barriers to data access and misuse.</li> <li>▪ Information governance is maintained through policies, guidelines, and training that are reported and disseminated via the Information Governance Group, headed up by the SIRO and with departmental representatives. Performance is reported to the Governance &amp; Audit Committee, and this year our performance targets have been exceeded.</li> <li>▪ Privacy notices are published online and have been updated through the year.</li> <li>▪ Schedules are maintained of all MCC information 'line of business' systems to ensure they are fit for purpose and upgraded/replaced as needed.</li> <li>▪ A central EDRMS system is being rolled out to electronically manage, share and retain all data and information outside of line of business systems.</li> <li>▪ Networks and forums are in place to work with the South East Wales Information Forum (SWIF) and WARP (Warning Advice and Security Point) and the NCSC (National Cyber Security Centre).</li> <li>▪ Data arrangements are audited by Audit Wales and performance reported through the Governance &amp; Audit Committee.</li> <li>▪ The ICT service, the SRS, are audited by the host organisation Torfaen County Borough Council, and all audits are reported through the SRS governance structures.</li> </ul>	
<b>Strong public financial management</b>	<ul style="list-style-type: none"> <li>▪ Financial procedure rules in Constitution</li> <li>▪ Contract procedure rules in Constitution</li> <li>▪ Accounting Instructions on Intranet</li> <li>▪ Spending Restrictions document on Intranet</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council ensures both long term achievement of outcomes and short term performance through the delivery of the Medium Term Financial Plan.</li> <li>▪ In July 2018, the Council's 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.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules. (Action 14 – c/f)</li> <li>▪ To produce a new Socially Responsible Procurement Strategy. (Action 15)</li> </ul>

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
		<ul style="list-style-type: none"><li data-bbox="835 213 1637 266">▪ The Councils Contract Procedure Rules were updated in March 2021.</li></ul>	

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

6 Excellent	5 <b>Very Good</b>	4 Good	3 Adequate	2 Weak	1 Unsatisfactory
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Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<b>Implementing good practice in transparency</b>	<ul style="list-style-type: none"> <li>▪ Report writing template and guidance</li> <li>▪ Integrated Impact Assessment including Future Generations evaluation and Equality Impact Assessment, on decision reports</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:-                             <ul style="list-style-type: none"> <li>▪ A Report Authors Protocol which ensures consistency in reports.</li> <li>▪ A Clear Writing guide for Officers.</li> <li>▪ All reports are signed off by Chief Officers, S151 Officer and Monitoring Officer prior to publication.</li> <li>▪ Where possible exempt reports are split so that the main report can be heard in public with confidential information being a separate exempt report.</li> <li>▪ Publication of delegated decisions.</li> <li>▪ Reports are published on the website</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Alignment of Council, Cabinet, ICMD and Scrutiny forward work planners. (Action 16)</li> </ul>
<b>Implementing good practices in reporting</b>	<ul style="list-style-type: none"> <li>▪ Annual Statement of Accounts audited by an external auditor and approved by Council</li> <li>▪ Code of Corporate Governance based on CIPFA/SOLACE Framework 2016</li> <li>▪ Annual Governance Statement</li> <li>▪ Corporate Plan Annual Self-Assessment Report</li> <li>▪ Service Business Plans produced annually and reviewed quarterly by each service area</li> </ul>	<ul style="list-style-type: none"> <li>▪ Transparency and openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Governance &amp; Audit Committee before being endorsed by Council. All public meetings of the Council, including Council, Cabinet, Select, Governance &amp; 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.</li> </ul>	

Sub-Principles	What is in place to support this?	Effectiveness	Areas for Future Improvement
<p><b>Assurance and effective accountability</b></p>	<ul style="list-style-type: none"> <li>▪ External Audit provided by Audit Wales</li> <li>▪ ESTYN reviews &amp; reports</li> <li>▪ Care Inspectorate Wales reviews &amp; reports</li> <li>▪ Performance of Internal Audit Section monitored by Governance &amp; Audit Committee</li> <li>▪ Implementation of Audit Wales and Internal Audit recommendations monitored by Governance &amp; Audit Committee</li> <li>▪ Peer Review, Corporate Assessment and Corporate Governance Review action plan monitored by SLT</li> <li>▪ Annual Governance Statement</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ The Governance &amp; 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 &amp; Audit Committee presents its Annual report to Council.</li> <li>▪ The Whole Authority Report: Complaints, Comments and Compliments 2021/22 was presented to Governance &amp; Audit Committee in March 2023 which identified the number and types of feedback, received and dealt with, from 1 April 2021 until 31 March 2022.</li> <li>▪ Reports and plans to implement Audit Wales and Internal Audit recommendations are reported (as relevant) to Scrutiny and the Governance &amp; Audit Committee.</li> <li>▪ All agreed recommendation and actions from Internal Audit reviews are monitored.</li> <li>▪ The Council takes note of all reports issued by External Regulators such as Audit Wales, ESTYN and Care Inspectorate Wales. Action plans are agreed and followed up.</li> </ul>	

## Progress against the 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	Carried forward into 2023/24 (Action 5)
Raise awareness across the Council on Anti-Fraud, Bribery & Corruption	Carried forward into 2023/24 (Action 3)
Self-assess the Council's objectives and arrangements as required by the Local Government and Elections (Wales) Act 2021.	Complete - The Council's Self-Assessment report 2021/22 was completed in line with requirements outlined in the Local Government and Elections (Wales) Act 2021 to ensure that members and the public had a clear and transparent assessment of the Council's performance in 2021/22

## Annual Governance Statement Action Plan 2022/23

No	Area for Improvement	By Who	By When
1	Establish a 'Governance Working Group' to discuss and review the Governance arrangements across Monmouthshire Council to ensure they are fit for purpose. (Principle A)	Chief Officer – Law & Governance	June 2023 & on-going
2	As part of the Governance Working Group, review the Council's Code of Corporate Governance. (Principle A)	Chief Officer – Law & Governance (Governance Working Group)	March 2024
3	Review the minute taking process and assess any opportunities to further digitise. (Principle B)	Chief Officer – Law & Governance (Governance Working Group)	December 2023
4	Increase the number of datasets published on the council's website. (Principle B)	Head Of Policy, Performance & Scrutiny	March 2024
5	Review the revenue and capital budget process and the Council's financial strategy. (Principle C)	Deputy Chief Executive & Chief Officer - Resources	October 2023
6	Ensure that a suite of enabling strategies and a framework is in place to identify and support any interventions needed. (Principle D)	SLT	September 2023
7	Review Service Business Plans to ensure they align to the new Community & Corporate Plan. (Principle D)	Head Of Policy, Performance & Scrutiny	December 2023
8	A learning management system to be implemented across the organisation to coordinate all training including for schools. (Principle E)	Chief Officer – Law & Governance	March 2024



Area for Improvement		Progress	
9	A full analysis to define and identify any training need(s). A focus will be to prioritise ensuring people are suitably qualified and experienced to fulfil roles, capable of leadership, future professional development, and staff are digitally enabled. (Principle E)	Chief Officer – Law & Governance  (Governance Working Group)	March 2024
10	Review and update the Councils Strategic Risk Management Policy. Improve how reports are presented to Cabinet and the Governance & Audit Committee to provide the necessary assurance. (Principle F)	Head Of Policy, Performance & Scrutiny	March 2024
11	Review the governance arrangements for Corporate Health and Safety to ensure the Council is provided with an assurance that key health and safety risks are being effectively managed across the organisation. (Principle F)	Corporate Health & Safety Manager	March 2024
12 (c/f)	Update the Council's Anti-Fraud, Bribery & Corruption Policy and raise awareness across the Council. (Principle F)	Chief Internal Auditor	December 2023
13	Complete an External Quality Assessment of the Council's Internal Audit Service as required by the Public Sector Internal Audit Standards. (Principle F)	Chief Internal Auditor	March 2024
14 (c/f)	Deliver awareness raising training sessions on the importance of compliance with revised Contract Procedure Rules and Financial Procedure Rules. (Principle F)	Chief Internal Auditor	December 2023
15	To produce a new Socially Responsible Procurement Strategy. (Principle F)	Chief Officer – Communities & Place  Head of Commissioning & Procurement	June 2023
16	Alignment of Council, Cabinet, ICMD and Scrutiny forward work planners. (Principle G)	Chief Officer – Law & Governance  (Governance Working Group)	December 2023

## Monitoring & Evaluation

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.

**Certification by the Leader of the Council and the Chief Executive**

Signed:

Date: 22nd Febraury 2024

**Councillor Mary Ann Brocklesby, Leader of Monmouthshire County Council**

Signed:

Date: 22nd Febraury 2024

**Paul Matthews, Chief Executive**

# **The 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 County Council for the year ended 31 March 2023 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 the 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 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of Monmouthshire County Council as at 31 March 2023 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 2022-23.

## **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.

My staff and I are independent of the 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 the 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.

### **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 is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is 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:

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

### **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 11, the responsible financial officer is responsible for:

- the preparation of the statement of accounts, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls 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;
- 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 the responsible financial officer anticipates that the services provided by the Council will not continue to be provided in the future.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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 and those charged with governance, including obtaining and reviewing supporting documentation relating to Monmouthshire County Council's 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 following areas: revenue recognition, expenditure recognition and posting of unusual journals.
- Obtaining an understanding of Monmouthshire County Council's framework of authority as well as other legal and regulatory frameworks that Monmouthshire County 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 Monmouthshire County Council.
- Obtaining an understanding of related party relationships.

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 Monmouthshire County 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](http://www.frc.org.uk/auditorsresponsibilities).

This description forms part of my auditor's report.

### **Other auditor's responsibilities**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
23 February 2024

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

## Movement In Reserves Statement for the Year Ended 31st March 2023

	Note	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Joint Arrangement CCRCD	Total Reserves
		£000	£000	£000	£000	£000		£000
Balance at 1st April 2021		12,324	10,671	9,581	32,576	(106,185)	2,698	(70,910)
<b><i>Movement in reserves during 2021/22</i></b>								
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	(13,745)		-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		10,600	-	(489)	10,111	70,136	434	80,682
Transfers to/(from) Earmarked Reserves	10.4	(5,444)	5,444		-			-
Prior period adjustment: CCRCD								-
Increase/(Decrease) in 2021/22		5,157	5,444	(489)	10,111	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
<b><i>Movement in reserves during 2022/23</i></b>								
Total Comprehensive Income and Expenditure		(889)	-	-	(889)	259,830	1,711	260,652
Adjustments between accounting basis & funding basis under regulations	10.2	(5,799)	-	3,754	(2,044)	2,044		0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(6,688)	-	3,754	(2,933)	261,875	1,711	260,652
Transfers to/(from) Earmarked Reserves	10.4	4,566	(4,566)	-	-	-	-	0
Increase/(Decrease) in 2022/23		(2,122)	(4,566)	3,754	(2,933)	261,875	1,711	260,652
Balance at 31st March 2023 carried forward		15,361	11,549	12,846	39,755	225,825	4,844	270,426

Comprehensive Income & Expenditure Statement for the Year Ended 31st March 2023							
2021/22					2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
78,687	(20,707)	57,980	Children & Young People		77,362	(20,429)	56,933
89,974	(31,075)	58,899	Social Care & Health		92,605	(23,095)	69,510
62,649	(29,936)	32,712	Communities & Place		71,516	(34,297)	37,219
14,156	(7,862)	6,294	Monlife		15,523	(8,241)	7,282
4,170	(1,107)	3,063	Chief Executives Unit		10,268	(7,797)	2,471
5,418	(864)	4,554	People & Governance		6,656	(522)	6,134
41,749	(26,946)	14,803	Resources		37,932	(19,301)	18,631
3,005	(1,562)	1,443	Corporate		2,209	(330)	1,879
385	(528)	(142)	Cardiff Capital Region City Deal (CCRCD)		1,465	(1,485)	(20)
<b>300,193</b>	<b>(120,587)</b>	<b>179,606</b>	<b>Cost of Services</b>	<b>11.1</b>	<b>315,537</b>	<b>(115,497)</b>	<b>200,040</b>
			<b>Other operating expenditure:</b>				
			<i>Precepts &amp; Levies:</i>				
13,451	0	13,451	Gwent Police Authority		14,392	0	14,392
4,760	0	4,760	South Wales Fire & Rescue Authority		4,871	0	4,871
2,954	0	2,954	Community and Town Councils		3,158	0	3,158
116	0	116	National Parks		117	(1)	116
94	0	94	Internal Drainage Boards		94	0	94
2,868	(2,713)	155	Gains/losses on the disposal of non-current assets		0	(125)	(125)
		<b>21,530</b>	<b>Total Other operating expenditure</b>				<b>22,505</b>
18,179	(15,013)	3,165	Financing and investment income and expenditure	11.3	24,754	(18,727)	6,028
	(10)	(10)	Interest & Investment income: CCRCD			(96)	(96)
7		7	Change in Fair Value of Investment Properties: CCRCD		148		148
			<b>Taxation &amp; non-specific grant income:</b>				
251	(84,441)	(84,190)	Council Tax	11.5	349	(88,235)	(87,886)
0	(32,018)	(32,018)	Non-domestic rates redistribution	11.5	0	(34,753)	(34,753)
0	(84,603)	(84,603)	General government grants	11.6	0	(105,064)	(105,064)
	(318)	(318)	Recognised Capital Grants & Contributions: CCRCD			(1,734)	(1,734)
30		30	Tax Expenses: CCRCD			(10)	(10)
		<b>3,199</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(822)</b>
			<b>Other Comprehensive Income and Expenditure:</b>				
		(12,204)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	12.1			(34,478)
		(13)	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income				405
		(71,664)	(Gains)/losses on remeasurement of pension assets / liabilities	14.3			(225,757)
		<b>(83,881)</b>	<b>Total Other Comprehensive Income and Expenditure</b>				<b>(259,830)</b>
		<b>(80,682)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(260,652)</b>



## Balance Sheet as at 31st March 2023

31st March 2022 £000s (**Restated)		Note	31st March 2023 £000s
242,640	Other land and buildings	12.1	287,142
11,097	Vehicles, plant, furniture and equipment	12.1	11,633
77,363	Infrastructure	12.1	81,758
4,528	Community assets	12.1	4,528
4,228	Assets under construction	12.1	18,702
10	Surplus assets not held for sale	12.1	10
4,871	Heritage Assets	12.7	9,378
68,620	Investment Property	12.5	66,862
88	Intangible Assets		34
1,186	Long-Term Investments	13.1	1,330
3,657	Long Term Debtors	13.5	3,558
<b>418,289</b>	<b>Long term assets</b>		<b>484,935</b>
18,170	Short Term Investments	13.1	16,852
554	Inventories		419
41,993	Short Term Debtors	13.5	58,289
34,108	Cash and Cash Equivalents	15.3	24,723
1,000	Assets Held for Sale	12.6	1,000
82	CCRCD: Deferred Tax asset		110
<b>95,907</b>	<b>Current Assets</b>		<b>101,394</b>
(1,680)	Cash and Cash Equivalents	15.3	(802)
(71,903)	Short Term Borrowing	13.1	(67,156)
(57,424)	Short Term Creditors	13.6	(45,870)
(519)	Provisions	13.7	(404)
<b>(131,525)</b>	<b>Current Liabilities</b>		<b>(114,233)</b>
(259,212)	Liability related to defined benefit pension scheme	10.9	(56,576)
(671)	Provisions	13.7	(574)
(104,324)	Long Term Borrowing	13.1	(133,072)
(1,553)	Long Term Creditors: CCRCD		(2,686)
(2,250)	Other Long Term Liabilities	13.1	(2,238)
(2,820)	Capital Grants Receipts in Advance	11.6	(4,612)
(2,068)	Revenue Grants Receipts in Advance		(1,912)
<b>(372,897)</b>	<b>Long Term Liabilities</b>		<b>(201,671)</b>
<b>9,773</b>	<b>Net Assets</b>		<b>270,426</b>
17,482	Council Fund Balance	10.3	15,360
16,115	Earmarked Reserves	10.4	11,549
9,092	Capital Receipts Reserve	10.6	12,846
891	Usable Reserves: CCRCD		1,405
<b>43,580</b>	<b>Usable Reserves</b>		<b>41,161</b>
46,036	Revaluation Reserve	10.7	77,372
(259,212)	Pensions Reserve	10.9	(56,576)
180,279	Capital Adjustment Account	10.8	210,379
3,612	Deferred Capital Receipts Reserve	10.11	3,409
(494)	Financial Instrument Adjustment Account		(472)
(14)	Financial Instrument Revaluation Reserve		(419)
(3,976)	Accumulating Absence Adjustment Account	10.10	(4,353)
(37)	Unusable Reserves: CCRCD		(75)
<b>(33,807)</b>	<b>Unusable Reserves</b>		<b>229,265</b>
<b>9,773</b>	<b>Total Reserves</b>		<b>270,426</b>

\*\* 2021/22 restated to reflect an adjustment between provisions and creditors in relation to accumulated absence balances

## Cash Flow Statement for the Year Ended 31st March 2023

31st March 2022			31st March 2023
£000		Note	£000
3,199	Net (surplus) or deficit on the provision of services	15.1	(822)
(39,577)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	15.1	(4,158)
11,799	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15.1	30,754
(24,578)	<b>Net cash flows from Operating Activities</b>	15.1	25,775
20,947	Purchase of property, plant and equipment, investment property and intangible assets		41,149
15,000	Purchase of short-term and long-term investments		0
0	Other payments for investing activities		0
(2,958)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(7,883)
(20,558)	Proceeds from short-term and long-term investments		(1,378)
(9,016)	Other receipts from investing activities		(25,189)
3,415	<b>Net Cash (Inflow)/Outflow from Investing Activities</b>		6,699
	<b>Financing Activities</b>		
21,554	Repayments of short and long-term borrowing		9,780
33	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		33
(14,315)	Cash receipts of short and long-term borrowing		(33,778)
0	Other receipts from financing activities		0
7,272	<b>Net Cash (Inflow)/Outflow from Financing Activities</b>		(23,965)
(13,890)	<b>Net (increase) / decrease in cash and cash equivalents</b>		8,509
18,538	Cash and cash equivalents at the beginning of the reporting period		32,428
32,428	<b>Cash and cash equivalents at the end of the reporting period</b>	15.3	23,921

**Notes to the Accounts  
for the Year Ended  
31st March 2023**

## 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 2021 £000	Movement in Reserve £000	Balance at 31st March 2022 £000	Movement in Reserve £000	Balance at 31st March 2023 £000
<b>Usable Reserves:</b>						
Council Fund balance: Authority	10.3	8,906	1,621	10,528	577	11,105
Council Fund balance: LMS School Balances	10.5	3,418	3,536	6,955	(2,699)	4,256
Earmarked reserves	10.4	10,671	5,444	16,115	(4,566)	11,549
Capital Receipts Reserve	10.6	9,581	(489)	9,091	3,754	12,846
Usable Reserves: CCRCD		182	709	891	514	1,405
<b>Total Usable Reserves</b>		<b>32,758</b>	<b>10,822</b>	<b>43,580</b>	<b>(2,419)</b>	<b>41,161</b>
<b>Unusable Reserves:</b>						
Revaluation Reserve	10.7	38,407	7,629	46,036	31,336	77,372
Capital Adjustment Account	10.8	166,592	13,688	180,280	30,099	210,379
Financial Instruments Adjustment Account		(517)	23	(494)	23	(472)
Pension Reserve	10.9	(306,704)	47,492	(259,212)	202,636	(56,576)
Deferred Capital Receipts Reserve	10.11	2,692	920	3,612	(203)	3,409
Financial Instrument Revaluation Reserve		(28)	13	(14)	(405)	(419)
Accumulated Absences Adjustment Account	10.10	(4,111)	135	(3,976)	(377)	(4,353)
Unusable Reserves: CCRCD	16.6	0	(37)	(37)	(39)	(75)
<b>Total Unusable Reserves</b>		<b>(103,669)</b>	<b>69,863</b>	<b>(33,807)</b>	<b>263,071</b>	<b>229,265</b>
<b>Total Authority Reserves</b>		<b>(70,911)</b>	<b>80,686</b>	<b>9,773</b>	<b>260,652</b>	<b>270,426</b>

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

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

Movements in 2022/23:	Council Fund Balance £000	Usable Reserves £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of Property, Plant and Equipment assets	18,233	0	(18,233)
Charges for impairment of Heritage Assets	179	-	(179)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	(13,697)	0	13,697
Revaluation movements on Assets Held for Sale (charged to SDPS)	0	0	0
Movements in the market value of Investment Properties	18	0	(18)
Amortisation and impairment of intangible assets	54	0	(54)

Capital grants and contributions applied	(27,539)	0	27,539
Revenue expenditure funded from capital under statute	3,840	0	(3,840)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	4,140	0	(4,140)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Statutory provision for the financing of capital investment (MRP)	(6,642)	0	6,642
Capital expenditure charged against the Council Fund	(393)	0	393
<b>Adjustments involving the Capital Receipts Reserve:</b>			
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(7,469)	7,883	(414)
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,128)	4,128
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
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
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	40,447	0	(40,447)
Employer's pensions contributions and direct payments to pensioners payable in the year	(17,326)	0	17,326
<b>Adjustment involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	379	0	(379)
<b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>			
Depreciation of non-current asset revaluation gains	-	-	-
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(5,799)</b>	<b>3,754</b>	<b>2,044</b>

<b>Movements in 2021/22:</b>	<b>Council Fund Balance £000</b>	<b>Usable Reserves £000</b>	<b>Unusable Reserves £000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Charges for depreciation and impairment of Property, Plant and Equipment assets	18,781	-	(18,781)
Charges for impairment of Heritage Assets	79	-	(79)
Revaluation movements on Property Plant and Equipment (charged to SDPS)	(5,800)	-	5,800
Revaluation movements on Assets Held for Sale (charged to SDPS)	(530)	-	530
Movements in the market value of Investment Properties	(3,607)	-	3,608
Amortisation and impairment of intangible assets	54	-	(54)
Capital grants and contributions applied	(13,553)	-	13,553
Revenue expenditure funded from capital under statute	1,932	-	(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	-	(3,171)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
Statutory provision for the financing of capital investment (MRP)	(6,369)	0	6,369

Capital expenditure charged against the Council Fund	(234)	-	234
<b>Adjustments involving the Capital Receipts Reserve:</b>			
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
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(22)	-	22
<b>Adjustments involving the Pensions Reserve:</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	38,874	-	(38,874)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,702)	-	14,702
<b>Adjustment involving the Accumulated Absences Account:</b>			
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(136)	-	136
<b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve:</b>			
Depreciation of non-current asset revaluation gains	-	-	-
<b>Total adjustments between accounting basis &amp; funding basis under regulations</b>	<b>14,234</b>	<b>(489)</b>	<b>(13,745)</b>

### 10.3 Usable Reserves available for Revenue Purposes

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

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 £4,256,000 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 2021 £000	In Year Movement £000	At 31st March 2022 £000	In Year Movement £000	At 31st March 2023 £000
Amount of Council Fund Balance held by Schools under Local Management Schemes	3,418	3,536	6,955	(2,699)	4,256
Amount of Council Fund Balance generally available for new expenditure	8,906	1,621	10,528	577	11,105
Total Council Fund Balance	12,324	5,158	17,482	(2,122)	15,360
Earmarked Revenue Reserves	10,671	5,444	16,115	(4,566)	11,549
<b>Total Usable Reserves available for Revenue Purposes</b>	<b>22,996</b>	<b>10,602</b>	<b>33,598</b>	<b>(6,688)</b>	<b>26,910</b>

### 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 2022/23 can be summarised as follows:

	At 1st April 2021	Transfer to Reserves	Transfer from Reserves	At 31st March 2022	Transfer to Reserves	Transfer from Reserves	At 31st March 2023
	£000	£000	£000	£000	£000	£000	£000
	(Restated)			(Restated)			
Invest to Redesign	1,384	132	(60)	1,456	125	(154)	1,427
Priority Investment	1,905			1,905			1,905
Insurance and risk management	935		(10)	925			925
IT Transformation	854	173	(96)	931		(185)	746
Treasury equalisation	590			590			590
Capital Investment	627			627		(2)	625
Redundancy and Pensions	857		(88)	769			769
Pay Inflation Reserve	0			0	1,316		1,316
Capital Receipt Generation	416		(51)	365		(51)	314
<b>Service Reserves:</b>							
Elections	292	35	(82)	245	35	(155)	125
Museums acquisition	53			53		(17)	36
Solar Farm Maintenance & Community Fund	87	153		240	23	(105)	158
Castlegate Business Park	312	125		437		(312)	125
Newport Leisure Park	188	177		365		(188)	177
Sustainability - PV Invertor Replacement Reserve	15	50		65			65
Covid19 Reset Reserve: Social Care	0	1,400		1,400		(1,400)	0
Covid19 Reset Reserve: Homelessness	0	1,400		1,400		(1,400)	0
Covid19 Reset Reserve: Leisure Income	0	300		300		(300)	0
Covid19 Reset Reserve: Pay Inflation	0	900		900		(900)	0
Cost of Living Discretionary Payment Reserve	0	499		499		(499)	0
SCH Electric Vehicle & Driving Lessons Reserve	0	214		214		(214)	0
Covid19 Hardship Fund Equalisation Reserve	819			819		(819)	0
Ukrainian Support Reserve	0			0	1,341		1,341
Local Resilience Forum	198		(44)	154	2	(27)	129
Grass Routes Buses	161	5		166	5		171
Schools sickness & maternity cover	48	148		196	101		298
Youth Offending Team	150			150			150
Building Control	1		(5)	(4)	2		(2)
Rural Development Plan	621	72		693		(675)	19
Highways Plant & Equipment Replacement	100	88		188		(47)	141
Homeless Prevention	58	10		68		(68)	0
<b>Total</b>	<b>10,671</b>	<b>5,881</b>	<b>(437)</b>	<b>16,115</b>	<b>2,950</b>	<b>(7,516)</b>	<b>11,549</b>

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

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

**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.

**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.

**Treasury Equalisation Reserve** - Originally created from loan rescheduling discounts and premia, the reserve is held to manage the longer term approach to treasury decisions.

**Capital Investment Reserve** - To finance future capital expenditure.

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

**Pay Inflation Reserve** - To mitigate against the volatility and budgetary risk of future pay settlements.

**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.

**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.

**Ukrainian Support Reserve** - Created from unspent Welsh and UK Government funding to cover future costs related to housing and supporting Ukrainian refugees.

**Service Reserves** - Held for a specific service purpose and maintained to support and develop service delivery, mitigate specific service risk, or support collaborative arrangements.

## 10.5 School Balances

The balance on the Council Fund includes £4,255,675 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 2021	In Year Movement	At 31st March 2022	In Year Movement	At 31st March 2023
	£	£	£	£	£
<b>Comprehensives</b>					
Caldicot	229,408	578,377	807,785	(580,286)	227,499
Chepstow	(86,801)	(38,133)	(124,934)	(227,517)	(352,451)
King Henry VIII	197,496	558,635	756,131	29,048	785,180
Monmouth	214,192	600,066	814,258	(215,066)	599,192
<b>Sub Total Comprehensives</b>	<b>554,294</b>	<b>1,698,946</b>	<b>2,253,240</b>	<b>(993,820)</b>	<b>1,259,420</b>
<b>Primaries</b>					
Archbishop R Williams	206,397	(35,075)	171,322	(140,262)	31,060
Cantref	199,797	54,295	254,092	(57,742)	196,350
Castle Park	121,853	37,445	159,297	(54,000)	105,297
Cross Ash	82,470	(2,715)	79,755	21,699	101,453



Deri View	148,109	41,681	189,790	(163,465)	26,326
Dewstow	237,811	120,805	358,616	(83,558)	275,059
Durand	77,884	27,095	104,979	(49,781)	55,199
Gilwern	166,852	64,103	230,955	(79,190)	151,764
Goytre Fawr	91,540	26,195	117,735	(45,610)	72,125
Kymin View	135,305	(1,591)	133,714	(45,337)	88,378
Llandogo	(86,830)	87,044	214	(6,156)	(5,941)
Llanfoist	93,433	125,986	219,420	(47,985)	171,434
Llantilio Pertholey	67,215	42,483	109,698	(36,984)	72,714
Llanvihangel Crucorney	104,670	32,152	136,822	(17,602)	119,219
Magor Vol Aided	117,202	79,614	196,816	18,960	215,776
New Pembroke Primary	125,507	93,161	218,668	(15,360)	203,307
Osbaston Church in Wales	40,609	52,538	93,147	(80,396)	12,750
Our Lady's & St Michael's Catholic Primary	54,393	4,256	58,648	(75,726)	(17,078)
Overmonnow	41,104	121,366	162,470	(154,809)	7,662
Raglan	108,878	51,715	160,593	34,892	195,485
Rogiet	78,095	11,128	89,222	(67,784)	21,439
Shirenewton	176,246	63,046	239,291	(53,954)	185,338
St Mary's (Chepstow)	20,860	84,072	104,932	(9,908)	95,024
The Dell	48,410	98,429	146,839	(170,750)	(23,912)
Thornwell	64,887	45,735	110,622	(106,365)	4,257
Trellech	115,691	38,248	153,939	3,753	157,692
Undy	6,370	204,273	210,643	(43,618)	167,025
Usk CV	143,055	127,785	270,840	(2,545)	268,295
Ysgol Gymraeg Y Fenni	34,367	37,648	72,015	(51,227)	20,789
Ysgol Gymraeg Ffin	15,638	51,145	66,783	(14,105)	52,678
<b>Sub Total Primaries</b>	<b>2,837,815</b>	<b>1,784,063</b>	<b>4,621,878</b>	<b>(1,594,915)</b>	<b>3,026,963</b>
<b>Other</b>					
Pupil Referral Unit	26,012	53,454	79,466	(110,173)	(30,707)
<b>Sub Total Other</b>	<b>26,012</b>	<b>53,454</b>	<b>79,466</b>	<b>(110,173)</b>	<b>(30,707)</b>
<b>Total</b>	<b>3,418,121</b>	<b>3,536,463</b>	<b>6,954,584</b>	<b>(2,698,908)</b>	<b>4,255,676</b>

## 10.6 Capital Receipts Reserve

Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement. Receipts are appropriated to the reserve from the Council Fund via the Statement in Movements Statement.

2021/22 £000		2022/23 £000
9,581	Balance as at 1st April	9,091
2,680	Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,680
278	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	203
(3,448)	Less: use of the Capital Receipts Reserve to finance new capital expenditure	(4,128)
<b>9,091</b>	<b>Balance as at 31st March</b>	<b>12,846</b>

## 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.

2021/22 £000		2022/23 £000
38,407	Balance at 1 April	46,036
13,523	Upward revaluation of assets	34,572
(1,319)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(94)
(2,483)	Difference between fair value depreciation and historical cost depreciation	(3,143)
(2,092)	Accumulated gains on assets sold or scrapped	0
<b>46,036</b>	<b>Balance at 31 March</b>	<b>77,372</b>

## 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.

2021/22 £000		2022/23 £000
166,592	Balance at 1 April	180,280
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(18,781)	Charges for depreciation and impairment of property, plant and equipment assets	(18,233)
(79)	Impairment of Heritage assets	(179)
5,800	Revaluation movements on Property, Plant and Equipment	13,697
530	Revaluation movements on Assets Held for Sale	0
(54)	Amortisation & impairment of intangible assets	(54)
(1,932)	Revenue expenditure funded from capital under statute	(3,840)
(1,079)	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	(4,140)
(176)	Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(211)
2,483	Adjusting amounts written out of the Revaluation Reserve	3,143
(235)	CCRCD CAA	1,232

3,448	Use of the Capital Receipts Reserve to finance new capital expenditure	4,128
13,553	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	27,539
6,369	Statutory provision for the financing of capital investment charged against the Council Fund	6,642
234	Capital expenditure charged against the Council Fund	393
3,608	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(18)
<b>180,280</b>	<b>Balance at 31 March</b>	<b>210,379</b>

## 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.

2021/22 £000		2022/23 £000
(306,704)	Balance at 1 April	(259,212)
71,664	Remeasurement gains or (losses) on pension assets and liabilities	225,757
(38,874)	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	(40,447)
14,702	Employer's pensions contributions and direct payments to pensioners payable in the year	17,326
<b>(259,212)</b>	<b>Balance at 31 March</b>	<b>(56,576)</b>

## 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 note 17.8 to the accounts.

2021/22 £000		2022/23 £000
(4,111)	Balance at 1 April	(3,976)
4,110	Settlement or cancellation of accrual made at the end of the preceding year	3,973
(3,973)	Amounts accrued at the end of the current year	(4,352)
(1)	Share of CCRCD	1
<b>(3,976)</b>	<b>Balance at 31 March</b>	<b>(4,353)</b>

## 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 2023 is primarily made up of £2.5m relating to the Old Abergavenny cattle market site disposed of under a finance lease and £0.9m relating to the phased receipts agreed for the disposal of the Hilston Park site.

2021/22 £000		2022/23 £000
2,692	Balance at 1 April	3,612
(102)	Transfer to the Capital Receipts Reserve upon receipt of cash	(203)
1,022	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
<b>3,612</b>	<b>Balance at 31 March</b>	<b>3,409</b>

## 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).

2021/22				2022/23		
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
57,494	486	57,980	Children & Young People	60,658	(3,725)	56,933
52,658	6,241	58,899	Social Care & Health	62,855	6,656	69,510
19,523	13,190	32,712	Communities & Place	22,921	14,298	37,219
3,622	2,672	6,294	Monlife	4,476	2,806	7,282
2,676	387	3,063	Chief Executives Unit	1,558	914	2,471
3,542	1,013	4,554	People & Governance	4,879	1,254	6,133
4,293	10,509	14,803	Resources	8,385	10,246	18,631
22,937	(21,494)	1,443	Corporate	24,512	(22,633)	1,879
0	(142)	(142)	Cardiff Capital Region City Deal (CCRCD)	0	(20)	(20)
<b>166,744</b>	<b>12,862</b>	<b>179,607</b>	<b>Cost of Services</b>	<b>190,244</b>	<b>9,796</b>	<b>200,040</b>
234	21,296	21,530	Other operating expenditure	0	22,505	22,505
11,439	(8,277)	3,162	Financing and investment income and expenditure	2,214	3,866	6,079
(180,038)	(21,061)	(201,098)	Taxation and non-specific grant income and expenditure	(193,035)	(36,411)	(229,446)
<b>(168,365)</b>	<b>(8,042)</b>	<b>(176,407)</b>	<b>Other Income &amp; Expenditure</b>	<b>(190,821)</b>	<b>(10,041)</b>	<b>(200,861)</b>
<b>(1,621)</b>	<b>4,821</b>	<b>3,200</b>	<b>Surplus or Deficit</b>	<b>(577)</b>	<b>(245)</b>	<b>(822)</b>
(8,906)			Opening General Fund Balance	(10,528)		
(1,621)			Surplus or Deficit on General Fund	(577)		
<b>(10,528)</b>			<b>Closing General Fund Balance</b>	<b>(11,105)</b>		

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

2021/22					2022/23			
Adjustments for Capital Purposes £000	Net Change for Pensions for Adjustments £000	Other differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for Pensions for Adjustments £000	Other differences £000	Total Adjustments £000
2,668	3,398	(5,580)	486	Children & Young People	(6,287)	2,816	(254)	(3,725)
1,164	5,855	(778)	6,241	Social Care & Health	2,481	4,878	(702)	6,656
7,573	4,987	630	13,190	Communities & Place	7,291	4,657	2,351	14,298
1,503	1,520	(351)	2,672	Monlife	1,828	1,465	(487)	2,806
132	556	(301)	387	Chief Executives Unit	491	571	(148)	914

97	620	296	1,013	People & Governance	278	715	260	1,254
1,593	1,048	7,868	10,509	Resources	2,549	794	6,904	10,246
0	(119)	(21,375)	(21,494)	Corporate	320	(322)	(22,630)	(22,633)
0	0	(142)	(142)	Cardiff Capital Region City Deal (CCRCDC)	0	0	(20)	(20)
14,731	17,865	(19,734)	12,863	<b>Cost of Services</b>	8,950	15,573	(14,726)	9,796
(20,174)	6,307	5,826	(8,041)	<b>Other Income &amp; Expenditure</b>	(34,440)	7,208	17,191	(10,041)
(5,443)	24,172	(13,908)	4,821	<b>Adjustments between the Funding &amp; Accounting Basis</b>	(25,490)	22,781	2,465	(245)

## 11.2 Expenditure & Income analysed by nature

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

2021/22 £000		2022/23 £000
153,310	Employee benefits expenses	165,668
143,089	Other services expenses	150,687
18,342	Depreciation, amortisation and impairment	15,700
21,375	Precepts & levies	22,629
3,381	Interest payments	4,595
3,407	Gain/loss on disposal of non-current assets	4,140
<b>342,903</b>	<b>Total Expenditure</b>	<b>363,419</b>
(60,088)	Fees, charges & other service income	(64,383)
(343)	Interest and investment income	(4,059)
(116,459)	Income from council tax & NNDR	(122,988)
(159,108)	External grants and contributions	(165,342)
(3,704)	Gain/loss on disposal of non-current assets	(7,469)
<b>(339,703)</b>	<b>Total Income</b>	<b>(364,241)</b>
<b>3,200</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>(822)</b>

## 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 2022			Note	31st March 2023		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,381	-	3,381	13.2	4,587	0	4,587
6,307	-	6,307	14.3	7,208	0	7,208
-	(303)	(303)	13.2	-	(1,049)	(1,049)
-	(10)	(10)		-	(96)	(96)

4,925	(11,880)	(6,955)	Income and expenditure in relation to investment properties and changes in their fair value	9,962	(15,168)	(5,206)
3,566	(2,816)	750	(Surpluses)/deficits on trading undertakings not included in the Net Cost of Services	2,997	(2,502)	495
-	(15)	(15)	Other investment income	-	(7)	(7)
<b>18,179</b>	<b>(15,024)</b>	<b>3,155</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>24,754</b>	<b>(18,823)</b>	<b>5,932</b>

#### 11.4 Agency Income & expenditure

There have been a large number of new grants and financial support made available by Welsh & UK Government to support the additional services required as a result of the Covid 19 pandemic and to support the people displaced by the Ukraine war. Local Authorities have been requested to administer these grants on the Welsh Government's behalf because they have the local knowledge and ability to put in place systems quickly to make payments.

A payment was also made to Cardiff City Council to facilitate a CCRCDC transaction which was matched by a corresponding receipt for the same amount. As this is a transaction was made on behalf of Cardiff City Council and not relating directly to Monmouthshire's provision of service it has been treated as Agency income & expenditure.

The Council acted as an agent in the provision of the following funding streams:

Amount Received 2021/22 (£000's)	Scheme	Purpose	Amount Received 2022/23 (£000's)
362	<b>Business Support Grants</b>	Grants to support businesses during lockdown closures	0
1,474	<b>NDR Relief grants</b>	Grants given to retail, leisure and hospitality businesses	17
18	<b>Covid-19 Freelancer Grant</b>	Payment available for freelancers in the culture sector of up to £2.5k	0
147	<b>SSP Enhancement</b>	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	127
1,002	<b>Self Isolation Payments</b>	£500 & £750 payments for eligible individuals who have to self isolate.	131
1,894	<b>Care Workers £735 Payments</b>	Bonus payment for individual care workers	0
0	<b>Care Workers £1,498 Payments</b>	Bonus payment for individual care workers	3,249
0	<b>Unpaid Carers</b>	Payment to Carers in receipt of Carers Allowance	375
476	<b>Winter Fuel Payments</b>	£200 Winter Fuel Support Scheme	1,374
0	<b>Cost of Living Support Scheme - Main</b>	£150 support payment	2,949
0	<b>Ukraine £200</b>	Each Ukrainian person arriving in the UK is eligible for a £200 cash payment to support them with essentials before universal credit is awarded	115
0	<b>Ukraine £350 Host Payments</b>	£350 paid per month to hosts of Ukrainian family units	343
0	<b>Cardiff City Council</b>	Payment on behalf of Cardiff City Council to facilitate CCRCDC transaction	2,598
<b>5,373</b>	<b>Total</b>		<b>11,278</b>

These transactions are not included the figures reported in the primary statements or as part of the other disclosure notes to these accounts.

## 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 £47,372.80 for 2022/23 (£46,711.94 for 2021/22).

This average basic amount for a Band D property, £1,847.25 (£1,785.68 in 2021/22), 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	1/1	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	512	3,408	7,100	9,312	7,471	7,970	5,475	1,778	664
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:

2021/22 £000		2022/23 £000
(84,441)	Council tax collectable	(88,235)
251	Provision for non-payment of council tax	349
<b>(84,190)</b>	<b>Total Council Tax proceeds</b>	<b>(87,886)</b>

### 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 2022/23 (0.535p per £ in 2021/22) 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 £24,212,404 (£23,836,768 for 2021/22) was based on an average rateable value of £59,551,181 (£60,009,711 for 2021/22).

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 2022/23 was £34.75m (£32.02m in 2021/22).

A net debtor of £2,408,884 at 31st March 2023 (£3,385,117 debtor as at 31st March 2022) 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 2022/23:

2021/22 £000		2022/23 £000
2,438	WG General Capital Grant	3,593
509	Section 106 Developer Contributions	1,086
12,078	WG Grants	25,862
0	Other Contributions	0
<b>15,025</b>	<b>Total</b>	<b>30,541</b>



<b>Credited to the Comprehensive Income and Expenditure Statement:</b>		
(1,472)	Grants and contributions applied towards Revenue Expenditure Funded from Capital under Statute	(3,001)
(13,553)	Capital grants and contributions applied and credited to Taxation and Non-specific Grant Income	(27,539)
<b>(15,025)</b>	<b>Total</b>	<b>(30,541)</b>

### Capital Grants and Contributions Received in Advance

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

2021/22 £000		2022/23 £000
	<b>Developer Contributions held in Advance:</b>	
2,820	S106 Developer contributions	4,612
<b>2,820</b>	<b>Total</b>	<b>4,612</b>

### Revenue Grants and Contributions

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

2021/22 £000		2022/23 £000
(Restated)		
	<b>Revenue Grants credited to services</b>	
	<b>Central Government:</b>	
16,714	Housing Benefit Subsidy	15,798
	<b>Welsh Government:</b>	
11,783	Education - General Grants - EIG/PDG/LAEG	9,504
0	Ukrainian Support Fund	6,821
4,238	Education - Post-16 Funding	4,101
2,784	Housing Support Grant (Supporting People)	2,812
566	Concessionary Fares, Transport Subsidy	1,782
0	Community Renewal Fund	1,646
1,200	Education - Children & Communities	1,445
0	Universal Free School Meals	951
823	INFUSE - Innovating Public Services	783
0	Educational support for Ukrainians	757
0	Homelessness - No one left out grant	754
646	Families First	731
0	Eliminate Agenda	569
0	Radical reform	527
675	Waste Management	484
1,018	Welsh Government Covid-19 Funding General	480
251	Floods and SUDS	397
0	WLGA - EV Charging Infrastructure Grant	300
409	Rural Development Plan	131
404	WG 20mph Scheme (Monmouthshire)	120
2,728	WG - LA Social Care Recovery Fund	0

3,617	Welsh Government Covid-19 Hardship fund - Income loss Support	18
10,733	Welsh Government Covid-19 Hardship fund - Expenditure Support**	2,622
6,354	Other WG grants	5,950
	<b>Home Office:</b>	
107	Support Afghan / Syrian / Unaccompanied Asylum Seekers	367
152	Police and Crime Commissioner	85
1,243	Regional Partnership Board - Social Care	0
2,485	<b>Other Grants &amp; Contributions</b>	2,204
<b>68,929</b>	<b>Total Revenue Grants credited to services</b>	<b>62,140</b>
	<b>Non-Specific Grant Income</b>	
32,018	Non-Domestic Rates	34,753
71,049	Revenue Support Grant	77,524
<b>103,067</b>	<b>Total Non-Specific Grant Income</b>	<b>112,278</b>

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

Prior year restatement relates to recategorisation and consolidation of some grant funding streams. An additional £4.039m has been added to the total revenue grants credited to services compared to the final accounts for 2021-22.

## 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 2023 and 31st March 2022.

#### Movements in 2022/23:

	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* £000
<b>Cost or Valuation:</b>							
At 1st April 2022	243,729	23,034	4,528	10	4,228	275,530	1,245
Additions	9,071	3,113	48		17,135	29,366	
Revaluation movements taken to Revaluation Reserve	24,958					24,958	240
Revaluation movements taken to Surplus/Deficit on Provision of Services	10,720					10,720	0
Impairment movements taken to Surplus/Deficit on Provision of Services	(1,401)	(507)	(48)			(1,956)	
Reclassified (to)/from Held for Sale		(514)				(514)	
Disposals						0	
Other reclassifications	2,699				(2,699)	0	
Movement in CCRCD Assets		92			38	130	
<b>At 31st March 2023</b>	<b>289,776</b>	<b>25,218</b>	<b>4,528</b>	<b>10</b>	<b>18,702</b>	<b>338,235</b>	<b>1,485</b>
<b>Accumulated Depreciation:</b>							
At 1st April 2022	(1,089)	(11,937)	-	-	-	(13,026)	0
Depreciation charge	(9,630)	(2,124)				(11,754)	(42)
Depreciation written out on revaluation to Revaluation Reserve	5,108					5,108	42
Depreciation written out on revaluation to Surplus/Deficit on Provision of Services	2,977					2,977	0
Depreciation written out on impairment to Surplus/Deficit on Provision of Services						0	
Reclassified to/(from) Held for Sale		514				514	
Disposals						0	
Other reclassifications						0	
Movement in CCRCD Assets		(39)				(39)	
<b>At 31st March 2023</b>	<b>(2,634)</b>	<b>(13,585)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16,219)</b>	<b>0</b>
<b>Net Book Value:</b>	<b>287,142</b>	<b>11,633</b>	<b>4,528</b>	<b>10</b>	<b>18,702</b>	<b>322,016</b>	<b>1,485</b>

<b>Movements in 2021/22</b>							
	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* £000
<b>Cost or Valuation:</b>							
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		(2,975)				(2,975)	
Disposals						0	
Other reclassifications	(15)				(152)	(167)	
Movement in CCRCD Assets		257			50	306	
<b>At 31st March 2022</b>	<b>243,729</b>	<b>23,034</b>	<b>4,528</b>	<b>10</b>	<b>4,228</b>	<b>275,530</b>	<b>1,245</b>
<b>Accumulated Depreciation:</b>							
At 1st April 2021	(15,840)	(12,832)	-	-	-	(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	
Movement in CCRCD Assets		(37)				(37)	
<b>At 31st March 2022</b>	<b>(1,089)</b>	<b>(11,937)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,026)</b>	<b>0</b>
<b>Net Book Value:</b>	<b>242,640</b>	<b>11,097</b>	<b>4,528</b>	<b>10</b>	<b>4,228</b>	<b>262,504</b>	<b>1,245</b>

## 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.

2021/22 £000		2022/23 £000
73,613	Net Book Value At 1 April	77,363
9,943	Additions	8,917
0	Derecognition	0
(2,465)	Depreciation	(2,580)
(3,728)	Impairment	(1,943)
0	Other Movements in Costs	0
77,363	Net Book Value At 31 March	81,758

## 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 2022/23 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 2023. The valuations carried out during 2022/23 included Community Centres, Corporate Facilities, Hubs & Public Contact Centres and Recreational Spaces
- In addition to the rolling programme of revaluations any DRC assets not individually revalued were uplifted in line with movements in the BICS All In Tender Price Index. This indexation was undertaken due to the high levels of inflation seen in the year which increased the risk of potential misstatement in carrying value of assets.

	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	11,633	4,528	10	18,703	34,875
<b>Valued at current value as at:</b>						
31st March 2023	166,470	-	-	-	-	166,470
31st March 2022	96,006	-	-	-	-	96,006
31st March 2021	6,406	-	-	-	-	6,406
31st March 2020	17,746	-	-	-	-	17,746
31st March 2019	513	-	-	-	-	513
<b>Total Cost or Valuation</b>	<b>287,141</b>	<b>11,633</b>	<b>4,528</b>	<b>10</b>	<b>18,703</b>	<b>322,016</b>

## 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 (£4,278,080 as at 31st March 2023) as the transfer of legal ownership to the third party is yet to be concluded.

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 (£1,750,302 as at 31st March 2023) as the transfer of legal ownership to the third party is yet to be concluded.

The net book value of school non-current assets as at 31st March 2023, shown in the Authority's balance sheet, is £205,950,442 (£159,141,677 as at 31st March 2022).

## 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 2023 being £1,485,227 (£1,245,399 at 31st March 2022).

## 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:

2021/22 £000		2022/23 £000
(5,026)	Rental income from investment property	(4,942)
2,358	Direct operating expenses arising from investment property	3,193
(2,667)	<b>Net (gain)/loss</b>	<b>(1,749)</b>

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

2021/22 £000		2022/23 £000
65,304	Balance at start of the year	68,620
233	Additions	271
(526)	Disposals	(4,140)
3,607	Net gains/(losses) from fair value adjustments recognised in Financing and Investment Income and Expenditure	(18)
5	Transfers (to)/from Property, Plant and Equipment	0

(3)	Movement in CCRCD balances	2,128
<b>68,620</b>	<b>Balance at end of the year</b>	<b>66,862</b>

Capital receipts totalling £7,343,566 were credited to the Capital receipts reserve during 2022/23 in relation to investment properties (£1,992,620 in 2021/22).

## Fair Value Hierarchy

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

2021/22				2022/23				
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
		115	115	Freehold Reversions			111	111
	32,936		32,936	Agricultural Properties		27,646		27,646
		1,521	1,521	Retail Units			1,356	1,356
		1,894	1,894	Industrial Properties			2,183	2,183
		5,389	5,389	Solar Farm			5,485	5,485
		1,778	1,778	Share of CCRCD Asset			3,907	3,907
		24,987	24,987	Properties acquired for rental income			26,176	26,176
<b>0</b>	<b>32,936</b>	<b>35,684</b>	<b>68,620</b>		<b>0</b>	<b>27,646</b>	<b>39,216</b>	<b>66,862</b>

There have been no transfers between levels during the year. The authorities share in CCRCD 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 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:

2021/22 £000		2022/23 £000
35,613	Balance at start of the year	35,684

0	Transfers (to)/from Level 3	0
(15)	Additions	0
0	Disposals	0
87	Net gains/(losses) from fair value adjustments included in Surplus or Deficit on the Provision of Services	3,532
<b>35,685</b>	<b>Balance at end of the year</b>	<b>39,216</b>

#### 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 2023 are shown below:

2021/22 £000		2022/23 £000
2,569	Balance outstanding at start of year	1,000
0	Additions	0
3	Assets newly classified as held for sale: From Plant, Property & Equipment	0
0	Assets declassified as held for sale: To Plant, Property & Equipment	0
1,074	Revaluation gains	0
0	Revaluation losses	0
0	Impairment losses	0
(2,645)	Assets sold	0
<b>1,000</b>	<b>Balance outstanding at year-end</b>	<b>1,000</b>

#### 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
<b>Cost or Valuation:</b>				
1st April 2021	149	4,488	156	4,792
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
<b>31st March 2022</b>	<b>228</b>	<b>4,488</b>	<b>156</b>	<b>4,871</b>
<b>Cost or Valuation:</b>				
Additions	274	0	0	274
Revaluation increases/(decreases) recognised in the SDPS	0	0	0	0
Revaluation increases/ (decreases) taken to Revaluation Reserve	0	4,413	0	4,413
Impairment (losses)/reversals recognised in the SDPS	(179)	0	0	(179)
Reclassified from property, plant and equipment	0	0	0	0
<b>31st March 2023</b>	<b>322</b>	<b>8,901</b>	<b>156</b>	<b>9,378</b>

### 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 2022.

The most significant museum exhibit is the Nelson collection which is included on the balance sheet at a valuation of £8.7m. This collection was revalued externally during the year and the estimated value has increased by £4.4m since the previous valuation carried out 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.

## 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 2022 £000		31st March 2023 £000
189,235	Opening Capital Financing Requirement	189,370
	<b>Capital investment:</b>	
	<b>Enhancing value:</b>	
13,721	Property, plant and equipment	32,020
(15)	Investment properties	0
1,859	Vehicles	2,364
79	Heritage assets	94
	<b>Not enhancing value:</b>	
5,834	Property, plant and equipment	3,899
247	Investment properties	271
0	Intangible assets	0
0	Assets held for sale	0
79	Heritage assets	179
3,404	Revenue Expenditure Funded from Capital under Statute	6,841
	<b>Sources of finance:</b>	
(3,448)	Capital receipts	(4,128)
(2,438)	General Capital Grant	(3,593)
(12,078)	Capital Grants and Contributions	(25,862)
(509)	S106 Contributions	(1,086)
(234)	Direct revenue contributions	(393)
	<b>Other:</b>	
(6,369)	Minimum revenue provision	(6,642)
<b>189,370</b>	<b>Closing Capital Financing Requirement</b>	<b>193,336</b>
	<b>Explanation of movements in year:</b>	
2,431	Increase in underlying need to borrowing - supported by Government financial assistance	2,431
4,072	Increase in underlying need to borrowing - unsupported by Government financial assistance	8,177
(6,369)	Less: Minimum revenue provision	(6,642)
<b>134</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>3,966</b>

## 12.9 Capital Commitments

At 31st March 2023, the Authority had entered into 8 major contracts (those individually £200,000 and more) for the construction of Property, Plant and Equipment in 2022/23 and later years, budgeted to cost a total of £55,886,949 (£5,581,423 at 31st March 2022). The major commitments are as follows and are not included in the financial statements within this document.

	£000
RE:FIT Programme	261
Tintern Wirework Bridge works	439
Neville Hall & Frogmore Street Bus Stop Grant	430
ATF - Caldicot Church Road Connections	545
Y Ffin Additional Classroom	224
MUCH Project (Magor with Undy Community Hall)	391
Crick Road Care Home	679
King Henry VIII Future Schools	52,919
	<b>55,887</b>

## 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 2022/23 was £6,642,105 (£6,368,725 in 2021/22).

## 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:

2021/22 £000		2022/23 £000
2,838	Not later than one year	2,280
7,088	Later than one year and not later than five years	7,160
10,377	Later than five years	8,719
<b>20,304</b>		<b>18,159</b>

### 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	2021/22			2022/23	
	£000	Gross Amount outstanding from Lessee		Present Value of Minimum Lease Payments to the Authority	Gross Amount outstanding from Lessee
156	160	Not later than one year	156	160	
592	640	Later than one year and not later than five years	592	640	
1,806	2,400	Later than five years	1,703	2,240	
<b>2,554</b>	<b>3,200</b>		<b>2,451</b>	<b>3,040</b>	

The present value of the minimum lease payments has reduced during 2022/23 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 for fixed periods of time by entering into operating lease agreements.

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £296,831 (£324,288 in 2021/22).

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

2021/22 £000		2022/23 £000
251	Not later than one year	239
624	Later than one year and not later than five years	460
153	Later than five years	100
<b>1,028</b>		<b>799</b>

## 13 FINANCIAL INSTRUMENTS, CURRENT ASSETS & LIABILITIES NOTES

### 13.1 Categories of Financial Instruments

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

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

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

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

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

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

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

The following categories of financial assets are carried in the Balance Sheet as at 31st March 2023:

Long-Term 31st March 2022 £000	Short-Term 31st March 2022 £000		Note	Long-Term 31st March 2023 £000	Short-Term 31st March 2023 £000
		<b>Financial Assets</b>			
		<b>Investments at amortised Cost:</b>			
1,003	14,184	Principal invested	13.4	1,334	13,271
		Accrued Interest			
		<b>Investments at fair value through other comprehensive income:</b>			
	3,986	Equity Investments elected FVOCI			3,581
		<b>Investments at fair value through profit &amp; loss:</b>			
183		Unquoted equity investments	13.4	(4)	
<b>1,186</b>	<b>18,170</b>	<b>Total Investments</b>		<b>1,330</b>	<b>16,852</b>
		<b>Cash &amp; Cash Equivalents at amortised cost:</b>			
	34,108	Principal	15.3		24,723
		Accrued Interest			
<b>0</b>	<b>34,108</b>	<b>Total Cash &amp; Cash Equivalents</b>		<b>0</b>	<b>24,723</b>
		<b>At amortised cost:</b>			
	8,640	Trade Receivables			12,462
	(575)	Loss allowance			(689)

2,452	103	Lease Receivables		2,347	105
204	(4)	Loans made for service purposes		199	(5)
2,656	8,164	Included in Debtors	13.5	2,546	11,872
3,841	60,442	Sub-Total Financial Assets		3,876	53,447
	1,636				1,529
1,001	33,830	Debtors which are not Financial Instruments	13.5	1,012	46,418
4,842	95,907	Total Financial Assets		4,888	101,394

Long-Term 31st March 2022 £000	Short-Term 31st March 2022 £000		Note	Long-Term 31st March 2023 £000	Short-Term 31st March 2023 £000
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All of the Council's financial liabilities are held at amortised cost including short and long term loans, bank overdraft, lease payables, PFI contracts and trade payables for goods and services.

The following categories of financial liabilities are carried in the Balance Sheet as at 31st March 2023:

		Financial Liabilities			
		<b>Loans at amortised Cost:</b>			
(104,297)	(71,169)	Principal sum borrowed		(133,046)	(65,654)
	(732)	Accrued Interest			(1,502)
(27)	(1)	EIR adjustments		(26)	(1)
(104,324)	(71,903)	<b>Total Borrowings</b>	13.4	(133,072)	(67,156)
		<b>Loans at amortised Cost:</b>			
	(1,680)	Cash & cash equivalents	15.3		(802)
0	(1,680)	<b>Total Cash &amp; Cash Equivalents</b>		0	(802)
		<b>Liabilities at amortised Cost:</b>			
(642)		PFI and finance lease liabilities		(609)	
(1,608)		Other Long Term Liabilities		(1,629)	
(2,250)	0	<b>Total Other Long Term Liabilities</b>		(2,238)	0
		<b>Liabilities at amortised Cost:</b>			
	(2,366)	Trade Payables			(4,854)
0	(2,366)	<b>Included in Short Term Creditors</b>	13.6	0	(4,854)
(106,574)	(75,948)	<b>Total Financial Liabilities</b>		(135,310)	(72,813)
	(55,059)	Short term creditors which are not Financial Instruments	13.6		(41,016)
(266,323)	(519)	Other Current & long term liabilities which are not Financial Instruments:		(66,360)	(404)
(372,897)	(131,526)	<b>Total Balance Sheet Liabilities</b>		(201,671)	(114,233)

Equity instruments elected to fair value through OCI						
31st March 2022 £000	31st March 2022 £000	31st March 2022 £000		31st March 2023 £000	31st March 2023 £000	31st March 2023 £000
Fair value	OCI	Dividends		Fair value	OCI	Dividends
2,024	485	84	Kames Capital diversified monthly income fund	1,775	(249)	101
1,443	442	37	Investec Asset Management Ltd diversified income fund	1,372	(71)	58
519	73	17	CCLA LAMIT Property Fund	433	(85)	19
3,986	1,000	139	<b>Total Balance Sheet Asset</b>	3,581	(405)	178

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 2022 £000					31st March 2023 £000
	<b>Financial Liabilities measured at:</b>	<b>Fair value through P&amp;L</b>	<b>Fair value through OCI</b>	<b>Fair value through OCI - elected</b>	<b>Amortised cost</b>
16	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
3,364	Other Interest expense				4,571
3,381	Subtotals	0	0	0	4,587
<b>3,381</b>	<b>Total Interest payable and similar charges</b>				<b>4,587</b>
	<b>Financial assets measured at:</b>	<b>Fair value through P&amp;L</b>	<b>Fair value through OCI</b>	<b>Fair value through OCI - elected</b>	<b>Amortised cost</b>
(58)	Interest income relating to finance lease debtors			0	(57)
0	Interest from deferred receipts			0	0
(140)	Dividend income (elected equity instruments)			(179)	0
0	Gains on derecognition			0	0
0	Gains from changes in fair value			0	0
0	Impairment loss reversals			0	0
(119)	Other Interest income			0	(819)
(317)	Subtotals	0	0	(179)	(877)
<b>(317)</b>	<b>Total Interest &amp; Investment income</b>				<b>(1,056)</b>
<b>3,063</b>	<b>Net impact on surplus/deficit on provision of services</b>				<b>3,531</b>
	<b>Impact on other comprehensive income:</b>	<b>Fair value through P&amp;L</b>	<b>Fair value through OCI</b>	<b>Fair value through OCI - elected</b>	<b>Amortised cost</b>
77	Gains on revaluation			0	
(64)	Losses on revaluation			405	
0	Amounts recycled to surplus/deficit on provision of services			0	
13	Subtotals	0	0	405	0
<b>13</b>	<b>Impact on other comprehensive income</b>				<b>405</b>
<b>3,076</b>	<b>Net (gain)/loss for the year</b>				<b>3,936</b>

### 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 2023, using the following methods and assumptions

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 2023, 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 2023.
- 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 2022 £000	Fair Value 31st March 2022 £000		Balance sheet position	Fair Value Level	Balance Sheet 31st March 2023 £000	Fair Value 31st March 2023 £000
		<b>Financial liabilities held at amortised cost:</b>				
(176,226)	(179,030)	Borrowings	Borrowing (ST & LT)	<b>2</b>	(200,229)	(175,141)
(642)	(563)	PFI and finance lease liabilities	Other LT Borrowing	<b>3</b>	(609)	(460)
<b>(176,868)</b>	<b>(179,593)</b>	<b>Subtotal</b>			<b>(200,838)</b>	<b>(175,601)</b>
		<b>Financial liabilities held at amortised costs for which fair value is not disclosed:</b>				
(1,680)		Cash & Cash equivalent	C & C E		(802)	
(2,366)		Trade payables	Short term creditors		(4,854)	
(1,608)		Net agency creditor and lease deposits	Other LT Borrowing		(1,629)	
<b>(182,522)</b>		<b>Total financial liabilities</b>			<b>(208,123)</b>	



The fair value of financial liabilities held at amortised cost is less than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the current rates available for similar loans at the balance sheet date. The commitment to pay interest below current market rates reduces 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 2022 £000	Fair Value 31st March 2022 £000		Fair Value Level	Balance Sheet 31st March 2023 £000	Fair Value 31st March 2023 £000
		<b>Financial assets held at fair value:</b>			
3,986	3,986	Equity investments elected FV through OCI	ST Investments	3,581	3,581
183	183	Unquoted equity investments held at FVP&L	LT Investments	(4)	(4)
<b>4,168</b>	<b>4,168</b>	<b>Subtotal</b>		<b>3,577</b>	<b>3,577</b>
		<b>Financial assets held at amortised cost:</b>			
2,554	2,443	Lease receivables	LT debtors	2,452	1,954
		Trade receivables - deferred receipt	LT debtors		
<b>6,722</b>	<b>6,611</b>	<b>Subtotal</b>		<b>6,028</b>	<b>5,530</b>
		<b>Financial assets held at amortised cost for which fair value is not disclosed:</b>			
34,108		Cash & Cash equivalent	C&CE	24,723	
18,170		Short term investments	ST Investments	16,852	
8,640		Trade Receivables	Short term debtors	12,462	
204		Loans made for service purposes	Long term debtors	199	
<b>67,844</b>		<b>Total financial assets</b>		<b>60,264</b>	

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 2021 Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities.

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 2022	Balance Short-term 31st March 2022	Counterparty Group	Investment Vehicle	Average	Country	Balance Long-term 31st March 2023	Balance Short-term 31st March 2023
£'000	£'000			rating		£'000	£'000
	14,000	UK Government	Term Deposit with DMADF	AA+	United Kingdom		13,000
		Local Authority	Term Deposit	AA+	United Kingdom		
	30,070	Bank	Term Deposit	A+	United Kingdom		21,564
		<b>Credit risk Not applicable:</b>					
	3,986	Pooled funds			United Kingdom		3,581
1,063		Unquoted Equity			United Kingdom	788	
123	4,222	CCRCD				542	3,431
<b>1,186</b>	<b>52,278</b>	<b>Total Investments</b>				<b>1,330</b>	<b>41,575</b>

\* 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 2023, £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 2023 the carrying value was £2,452,000. The fair value was £1,954,000 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 and 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 60% of the Council’s net total borrowing.

The maturity analysis of financial instruments is as follows:

31st March 2022				31st March 2023		
£000	£000	£000		£000	£000	£000
Borrowings	Investments	Net		Borrowings	Investments	Net
			<b>The Loans Mature as follows:-</b>			
0	(4,352)	(3,626)	No defined maturity	4	(4,390)	(4,385)
71,903	(14,000)	78,595	Less than one year	67,156	(13,000)	54,156
4,338	0	3,013	Between one and two years	7,012	0	7,012
10,014	0	13,448	Between two and five years	12,867	0	12,867
11,128	(1,003)	10,331	Between five and ten years	27,237	(792)	26,445
20,269	0	12,924	Between ten and twenty years	23,653	0	23,653
58,574	0	43,976	More than twenty years	62,298	0	62,298
<b>176,226</b>	<b>(19,355)</b>	<b>158,660</b>	<b>Total</b>	<b>200,229</b>	<b>(18,182)</b>	<b>182,047</b>

The Counterparty analysis of Borrowing is shown below:

31st March 2022		31st March 2023
£000		£000
87,358	Public Works Loan Board	120,792
13,812	Market Loans & Bank loans	13,811

6,031	Welsh Government	5,251
66,025	Local Government bodies	57,370
3,000	Special Purpose Vehicle	3,000
0	Other - CCRC	4
<b>176,226</b>	<b>Total</b>	<b>200,228</b>

The financial liabilities due to Welsh Government at the 31st March 2023 are the outstanding balances from interest free loans provided to fund energy saving Street Lighting & Refit 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 2022/23 treasury strategy includes a limit on the Authority's exposure to interest rate risk. A limit of 60% applies to the percentage of short term debt to total debt.

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 2022/23, on borrowings and investments held at the 31st March 2023, 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 2022	Effect of a 1% increase in interest rates	31st March 2023
£000		£000
491	Increase in interest payable on borrowings	437
(136)	Increase in interest receivable on investments	(128)
0	Decrease in fair value of investments held at FVP&L	0

354	Impact on Surplus or Deficit on the Provision of Services	310
(11,828)	Decrease in fair value of fixed rate borrowing *	(11,043)

\* 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. 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 2023, 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 2022					31st March 2023			
Long Term £000	Short Term £000	Impairment £000	Net £000		Long £000	Short Term £000	Impairment £000	Net £000
				<b>Central Government Bodies:</b>				
	17,426		17,426	Welsh Government		26,683		26,683
	1,549		1,549	HM Customs & Excise		2,330		2,330
	2,993		2,993	NNDR Debtor		3,099		3,099
	0		0	Council Tax and Housing Benefit Subsidy		0		0
			0	Other				0
				<b>Other entities and individuals</b>				
	4,600	(17)	4,583	Other Local Authorities		7,111	(7)	7,104
			0	Deferred Capital receipts				0
2,452			2,452	Finance Lease	2,347			2,347
	6,825	(69)	6,756	Revenue debtors		4,713	(71)	4,642
	3,771	(2,146)	1,625	Council tax arrears		5,213	(2,494)	2,718
	1,744	(118)	1,626	Corporate sundry debtors		3,064	(174)	2,890
	1,295	(741)	554	Housing benefit overpayments		1,288	(748)	540
	2,663	(10)	2,653	NHS Bodies		5,958	0	5,958
	1,171	(181)	990	Social Services debtors		1,437	(205)	1,232
	379	(249)	130	Rent arrears		489	(304)	185
	734		734	Capital debtors		229		229
196			196	Housing Advances	191			191
1,009	373		1,382	Other	1,020	678		1,698
<b>3,657</b>	<b>45,525</b>	<b>-3,531</b>	<b>45,650</b>	<b>Total Debtors</b>	<b>3,558</b>	<b>62,291</b>	<b>-4,002</b>	<b>61,848</b>

The aged analysis of short term debtors outstanding as at 31st March 2023 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
<b>Central Government Bodies:</b>						
Welsh Government	26,589	94	0	0	0	26,683
HM Customs & Excise	2,330	0	0	0	0	2,330
NNDR Debtor	2,359	0	169	116	455	3,099
Council Tax and Housing Benefit Subsidy	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Other entities and individuals:</b>						
Other Local Authorities	3,155	3,542	264	151	0	7,111
Deferred Capital receipts	0	0	0	0	0	0
Finance Leases	0	0	0	0	0	0
Revenue debtors	4,588	1	34	44	46	4,713
Council tax arrears	0	0	1,186	1,135	2,892	5,213
Corporate sundry debtors	263	2,392	183	113	112	3,064
Housing benefit overpayments	0	0	333	169	786	1,288
NHS Bodies	3,300	2,602	56	0	0	5,958
Social Services sundry debtors	46	295	661	251	184	1,436
Rent arrears	124	46	54	41	224	489
Capital debtors	229	0	0	0	0	229
Housing Advances	0	0	0	0	0	0
Other	678	0	0	0	0	678
<b>Total</b>	<b>43,660</b>	<b>8,972</b>	<b>2,941</b>	<b>2,020</b>	<b>4,698</b>	<b>62,292</b>

The associated impairment for potential default and uncollectability for debtors outstanding as at 31st March 2023 is as follows:

	Not Overdue £000	Up to 3 Months £000	3 Months 12 Months £000	Over 12 Months £000	Over 24 Months £000	Total £000
Other Local Authorities	0	0	5	2	0	7
NHS Bodies	0	0	0	0	0	0
Revenue debtors	0	0	17	21	33	71
Council Tax Arrears	0	0	568	543	1,383	2,494
Social Services sundry debtors	0	31	51	49	75	205
Corporate sundry debtors	0	3	73	41	57	174
Rent arrears	0	9	30	41	224	304
Housing benefit overpayments	0	0	59	37	652	748
<b>Total</b>	<b>0</b>	<b>42</b>	<b>802</b>	<b>734</b>	<b>2,423</b>	<b>4,002</b>

### 13.6 Creditors

It is the Authority's policy to pay creditors promptly, without undue delay and within mutually agreed terms. 97.25% of payments were paid within a 30 day target settlement date (97.54% in 2021/22).

The nature and value of payments due to be made by the Council in the year but not actually made as at 31st March 2023 is summarised below:

31st March 2022 Restated £000		31st March 2023 £000
4,896	Central Government Bodies	3,980
4,736	Other Local Authorities	5,944
1,300	NHS Bodies	1,071
8,492	Capital Creditors	4,853
34,028	Other entities & individuals	25,670
3,973	Accumulating Compensated Absences	4,352
<b>57,424</b>	<b>Total</b>	<b>45,870</b>

\*\* 2021/22 restated to reflect an adjustment between provisions and creditors in relation to accumulated absence balances

### 13.7 Provisions and Contingent Liabilities

The value of provisions as at 31st March 2023, together with their movement for the year, is summarised below:

	Note	As at 1st April 2022 £000	New or increased Provisions £000	Used or reduced Provisions £000	As at 31st March 2023 £000
Insurance Claims	13.7a	1,006	434	(632)	809
Insurance Claims - MMI	13.7b	31	0	(31)	0
CCRCD Consolidation		152	18	0	170
<b>Total</b>		<b>1,189</b>	<b>453</b>	<b>(663)</b>	<b>979</b>

\*\* 1st April 2022 restated to reflect an adjustment between provisions and creditors in relation to accumulated absence balances

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 2022 £000	Long Term 31st March 2022 £000		Current 31st March 2023 £000	Long Term 31st March 2023 £000
503	503	Insurance Claims	404	404
16	16	Insurance Claims - MMI	0	0
0	152	CCRCD Consolidation	0	170
<b>519</b>	<b>671</b>	<b>Total</b>	<b>404</b>	<b>574</b>

#### a) Insurance Claims

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

To satisfy IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a full actuarial assessment of open insurance claims was carried out in 2022 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 2023. 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 2023 was £808,577 (£1,006,362 at 31st March 2022) and the balance on the insurance and risk management reserve as at 31st March 2023 was £924,997 (£836,094 as at 31st March 2022). 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 2022 £000		31st March 2023 £000
835	Public Liability	723
171	Employer's Liability	86
1,006	<b>Total</b>	<b>809</b>

#### **b) Municipal Mutual Insurance (MMI)**

For the policy years before 1992/93, the local authority has been 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 2023, no provision is required as no future scheme liabilities are now estimated for the Authority.

#### **c) 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. This financial year is the last remaining year of this indemnity.

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 £7.875 million (£7,176 million as at 31st March 2022) , 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 2023) is £138,852 (previously £125,021 for the period 21st January 2008 to 31st March 2022).



## 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 2022/23 totalled £6,474,000 (£6,087,000 in 2021/22) 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 £559,992 of contributions remaining payable to the scheme at the year end (£514,246 at 31st March 2022). 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 2023 is split as follows, along with the weighted average duration of each group:

2021/22			2022/23		Average Age (Years)
£000's	%		£000's	%	
373,917	53%	Active	212,099	42%	52
128,850	18%	Deferred	74,158	15%	52
201,808	29%	Pensioners	214,342	43%	69
<b>704,575</b>	<b>100%</b>	<b>Total</b>	<b>500,599</b>	<b>100%</b>	

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 2023 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
2021/22 £000's	2021/22 £000's		2022/23 £000's	2022/23 £000's
		<b>Comprehensive Income and Expenditure Account</b>		
		<b>Net Cost of Services:</b>		
32,387	0	current service cost	33,015	0
180	0	past service cost / (gain) including curtailments	224	0
0	0	settlement gain	0	0
<b>32,567</b>	<b>0</b>	<b>Total Net Cost of Services</b>	<b>33,239</b>	<b>0</b>
		<b>Financing and Investment Income and Expenditure:</b>		
14,740	75	interest cost on pension liabilities	19,396	89
(8,508)	0	interest income on plan assets	(12,277)	0
0	0	Impact of asset ceiling on net interest	0	0

38,799	75	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>40,358</b>	<b>89</b>
		<b>Other Comprehensive Income and Expenditure:</b>		
(71,489)	(174)	(Gains) and losses on remeasurement	(225,290)	(466)
0	0	Effect of business combinations and disposals	0	0
(71,489)	(174)	<b>Total Other Comprehensive Income and Expenditure</b>	<b>(225,290)</b>	<b>(466)</b>
(32,690)	(99)	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(184,932)</b>	<b>(377)</b>
		<b>Movement in Reserves Statement</b>		
(38,799)	(75)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(40,358)	(89)
		<b>Actual amount charged against the Council Fund for pensions in the year:</b>		
14,330	373	employers' contributions payable to scheme	16,984	343

#### 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 2024 is £16,372,000. Expected contributions for Teachers Unfunded Discretionary Benefits scheme in the year to 31 March 2023 are £374,000.

Statutory arrangements are in place to ensure that the financial position of the fund remains healthy. In the 31 March 2022 Actuarial Valuation, a shortfall of 3% 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 20 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 2022.

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

Financial Assumptions	Local Government Pension Scheme & Teachers Unfunded Discretionary Benefits		
	31st March 2023	31st March 2022	31st March 2021
Rate of increase in salaries	3.5%	3.5%	3.2%
Rate of increase in pensions (inline with CPI)	3.0%	3.2%	2.9%
Rate for discounting scheme liabilities	4.8%	2.7%	2.0%
<b>Life Expectancy:</b>			
Current male pensioner aged 65 (years)	21.0	20.5	20.7
Current female pensioner aged 65 (years)	24.1	23.2	23.4
Future male pensioner aged 65 in 20 years' time (years)	21.9	21.8	22.1
Future female pensioner aged 65 in 20 years' time (years)	25.7	25.1	25.4

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 2023	Approximate % increase to Employer	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	9,118
0.5% increase in the Salary Increase Rate	4%	20,253
0.1% increase in the Salary Increase Rate	0%	1,131
0.1% increase in the Pension Increase Rate	2%	8,121

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 2022		Category	Quoted in Active markets	31st March 2023	
£000	%			£000	%
0	0.0%	Equities	Yes	0	0.0%
		<b>Investment funds &amp; Unit Trusts</b>			
336,753	74.4%	Equities	No	332,012	73.8%
64,821	14.3%	Bonds	No	59,913	13.3%
39,840	8.8%	Other	No	46,374	10.3%
9,608	2.1%	Property	No	9,108	2.0%
1,465	0.3%	Cash accounts	No	2,334	0.5%
0	0.0%	Alternatives	No	0	0.0%
<b>452,486</b>	<b>100.0%</b>	<b>Total</b>		<b>449,740</b>	<b>100.0%</b>

## 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
2021/22 £000	2021/22 £000		2022/23 £000	2022/23 £000
424,338	0	As at 1st April	452,486	0
0	0	Settlement costs	0	0
8,508	0	Interest on plan assets	12,277	0
14,330	373	Employers contributions	16,984	343
3,792	0	Contributions by scheme participants	4,320	0

16,948	0	Gains / (losses) on remeasurement of assets	(20,156)	0
0	0	Administration expenses of plan assets	0	0
(15,430)	(373)	Benefits paid	(16,171)	(343)
<b>452,486</b>	<b>0</b>	<b>As at 31st March</b>	<b>449,740</b>	<b>0</b>

#### The Movement in Fund Liability

<b>(727,091)</b>	<b>(3,951)</b>	<b>As at 1st April</b>	<b>(708,219)</b>	<b>(3,479)</b>
(32,387)	0	Current service cost	(33,015)	0
(180)	0	Past service (cost) / gain (including curtailments)	(224)	0
0	0	Settlement gains	0	0
0	0	Curtailment costs	0	0
(14,740)	(75)	Interest on pension liabilities	(19,396)	(89)
(3,792)	0	Contributions by scheme participants	(4,320)	0
54,541	174	Gains / (losses) on remeasurement of liabs	245,446	466
15,430	373	Benefits paid	16,171	343
0	0	Effect of business combinations & disposals	0	0
<b>(708,219)</b>	<b>(3,479)</b>	<b>As at 31st March</b>	<b>(503,557)</b>	<b>(2,759)</b>

There were £1,749,000 of contributions remaining payable at the year end for the Local Government Pension Scheme (at 31 March 2022 £1,583,000 was payable) and £14,000 was owed to the Authority for the Teachers unfunded discretionary benefits scheme (£2,000 at 31 March 2022).

Within the £503,557,000 of pension liabilities for the Local Government Pension Scheme at 31 March 2023 (£708,219,000 31 March 2022), there are £3,445,000 of unfunded liabilities (£3,908,000 as at 31st March 2022).

#### 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:

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<b>Local Government Pension Scheme</b>					
Present value of scheme liabilities	(616,635)	(549,563)	(727,091)	(708,219)	(503,557)
Fair value of scheme assets	353,171	322,980	424,338	452,486	449,740
<b>Surplus / (deficit) in the scheme</b>	<b>(263,464)</b>	<b>(226,583)</b>	<b>(302,753)</b>	<b>(255,733)</b>	<b>(53,817)</b>
<b>Teachers Unfunded Discretionary Benefits</b>					
Present value of scheme liabilities	(4,749)	(3,943)	(3,951)	(3,479)	(2,759)
Fair value of scheme assets	0	0	0	0	0
<b>Surplus / (deficit) in the scheme</b>	<b>(4,749)</b>	<b>(3,943)</b>	<b>(3,951)</b>	<b>(3,479)</b>	<b>(2,759)</b>
<b>Total</b>					
Present value of scheme liabilities	(621,384)	(553,506)	(731,042)	(711,698)	(506,316)
Fair value of scheme assets	353,171	322,980	424,338	452,486	449,740
<b>Surplus / (deficit) in the scheme</b>	<b>(268,213)</b>	<b>(230,526)</b>	<b>(306,704)</b>	<b>(259,212)</b>	<b>(56,576)</b>
<b>Year on year increase in net liability (or deficit)</b>		<b>37,687</b>	<b>(76,178)</b>	<b>47,492</b>	<b>202,636</b>

There is a decrease in the combined net liability of the Greater Gwent pension funds of £202,636,000 from 1 April 2022 to 31 March 2023. This has resulted from a decrease in the value of scheme liabilities of £204.66m offset by a reduction 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

2021/22 £000		2022/23 £000
3,199	Net (surplus) or deficit on the provision of services	(822)
	<b>Non-cash transactions:</b>	
(12,983)	Depreciation of non-current assets	(14,600)
418	Impairment and downward valuations	9,798
(54)	Amortisation of intangible non-current assets	(54)
(391)	Increase/(decrease) in impairment for provision for bad debts	(497)
112	Increase/(decrease) in inventories	(135)
9,823	Increase/(decrease) in debtors	16,012
(14,822)	(Increase)/decrease in creditors	11,120
67	(Increase)/decrease in provisions	229
(24,172)	Pension liability	(23,121)
633	CCRCD: Capital & Revenue Grants recognised	3,032
1,363	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(1,636)
(3,171)	Carrying amount of non-current assets, assets held for sale and investment properties which are sold or derecognised	(4,140)
3,601	Movement in the value of investment properties	(166)
	<b>Items classified in another classification in the cash flow statement</b>	
1,191	Other payments for investing activities	63
9,016	Other receipts from investing activities	25,189
(33)	Other payments for financing activities	(33)
(1,441)	Other receipts for financing activities	(2,451)
3,066	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,986
<b>(24,578)</b>	<b>Net cash flows from Operating Activities</b>	<b>25,775</b>

### 15.2 Returns on Investments and Servicing of Finance

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

2021/22 £000		2022/23 £000
	<b>Returns on Investments received:</b>	
(289)	Interest received	(965)
(15)	Other interest and investment income	(7)
	<b>Servicing of Finance paid:</b>	
3,334	Interest paid	3,979
16	Interest element of finance lease rental payments	0
<b>3,047</b>		<b>3,006</b>

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

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

	At 31st March 2022	In Year Movement	At 31st March 2023
	£000	£000	£000
<b>Current Assets</b>			
Cash held by the Authority	55	94	149
Bank current accounts	0	0	0
Short-term call account deposits	34,053	(9,479)	24,574
<b>Current Liabilities</b>			
Bank current account overdrafts	(1,680)	878	(802)
<b>Total</b>	<b>32,428</b>	<b>(8,507)</b>	<b>23,921</b>

## 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, County Hall, The Rhadyr, Usk NP15 1GA

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

2021/22 £000		2022/23 £000
600	Basic allowance	772
216	Special responsibility allowance	226
3	Travel allowance	8
0	Subsistence allowance	9
4	ICT Costs	0
<b>823</b>	<b>Total</b>	<b>1,015</b>

The increase from 2021/22 is due to the Members pay award following recommendations by the Independent Remuneration Panel, and following changes in structure following the May 2022 election process.

Increased expenses are due to more face to face meetings taking place following Covid restrictions being lifted.

### 16.2 Audit Costs

The Authority has incurred the following costs during 2022/23 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:

2021/22 £000		2022/23 £000
183	Fees payable to the appointed auditor with regard to external audit services - financial audit	210
107	Fees payable to the appointed auditor with regard to external audit services - Local Government Measure	112
54	Fees payable to the appointed auditor for certification of grant claims & returns	49
<b>344</b>	<b>Total</b>	<b>371</b>

### 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 2023 was:

2021/22 £000		2022/23 £000
	<b>Funding</b>	



(272)	Monmouthshire County Council	(298)
(205)	Monmouthshire Local Health Board	(225)
<b>(477)</b>	<b>Total Funding</b>	<b>(523)</b>
	<b>Expenditure</b>	
355	Employee related	372
84	Premises related	96
0	Transport related	0
28	Supplies & Services	27
44	Agency & Contracted	22
<b>511</b>	<b>Total Expenditure</b>	<b>517</b>
<b>34</b>	<b>Net (Under)/over spend</b>	<b>(6)</b>

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

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

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

Torfaen County Borough Council is the host for the Partnership, who recorded gross expenditure of £3,940,000 (£4,991,000 for 2021/22) and gross income of £3,940,000 (£4,991,000 for 2021/22) for the financial year ended 31st March 2023. Monmouthshire County Council's contribution for the year was £322,000 (£419,000 for 2021/22).

#### **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 £4,272,000 (£3,809,000 for 2021/22) and gross income of £3,845,000 (£3,675,000 for 2021/22) for the financial year ended 31st March 2023. Monmouthshire County Council's total contribution for the year was £1,328,000 (£1,191,000 for 2021/22).

#### **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 £16,447,000 (£16,109,000 for 2021/22) and gross income of £16,521,000 (£15,987,000 for 2021/22) for the financial year ended 31st March 2023. Monmouthshire County Council's total contribution for the year was £1,469,000 (£1,456,000 for 2021/22).

#### **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 £118,709,313 (£99,844,467 for 2021/22) and funding of £118,709,313 (£99,844,467 for 2021/22) for the financial year ended 31st March 2023. Monmouthshire County Council's total contribution for the year was £10,828,264 (£9,419,985 for 2021/22).

### **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 2022/23 is shown in Note 16.1. During 2022/23, works and services to the value of £598k (£18,667m in 2021/22) were commissioned from other public bodies and companies in which four members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, grants totalling £3,617 (£66,507 in 2021/22) were made to an organisation in which one member had a voluntary position. 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 bodies that members had an interest in totalled £463,130 (£478,732 in 2021/22).

There were no debtor or creditor balances outstanding with related parties at the end on 2022/23 (£0 in 2021/22)

Some County Councillors are also active Town or Community Councillors during the Financial Year. The value of these precepts were £1.171m in 2022/23 (£1.066m in 2021/22). All Community Council precepts are included within the Consolidated Income and Expenditure Statement

#### **Companies and Joint Ventures**

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

#### **Senior Officers**

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

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

The Chief Executive was the Acting Returning Officer and Electoral Registration Officer for Monmouthshire during 2022/23 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**

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

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

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

- **Cardiff Capital Region - City Deal**
- **South-East Wales Corporate Joint Committee**

Payments of £3,850, and receipts of £3,290 were paid and received from Cardiff Metropolitan University during 2022/23 (£3,771 and £12,070 respectively in 2021/22) in relation to transactions involving goods and services. Contracts were entered into in full compliance with the council's standing orders.

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 2023:

2021/22					2022/23			
Income £000	Expend £000	Assets £000	Liabilities £000		Income £000	Expend £000	Assets £000	Liabilities £000
(594)	177	5,869	-138	<b>Welsh Church Act Fund</b>	(212)	692	5,406	(204)

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.

(6)	5	129	(60)	<b>Llanelly Hill Social Welfare Centre</b>	(3)	5	132	(66)
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The primary objective of the fund is the provision of a Social welfare centre to the residents of Llanelly hill. The Trust's fixed assets comprise the social welfare centre premises and land upon which it is situated.

(0)	7	0	0	<b>Chairman's Charity</b>	0	0	0	0
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The Chairman's Charity supports and raises funds for the Chairman's nominated Charity of the year.

				<b>Funds for which Monmouthshire County Council acts as custodian trustee:</b>				
(28)	11	679	(8)	<b>Monmouthshire Farm School Endowment</b>	(27)	89	625	(2)
(1,188)	1,131	1,102	(1,045)	<b>Appointeeship - Personal Monies</b>	(1,744)	1,519	1,326	(1,102)

## 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 is no longer associated with Monmouthshire County Council, effective from December 2021, but is reported here on the basis that there were transactions with the company in the comparator year 2021/22.

1st April 2021		31st March 2023
£000 Final		£000 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

No payments were made to Dragon Waste Limited during 2022/23 (£699,848 during 2021/22), reflecting activity up to and including the end date of the arrangement.

### 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 2022/23 included in the Council's Accounts totalled £2.279m (£2.237m in 2021/22).

The Authority owed £209,859 to SRS Public at the 31st March 2023 (£5,545 owed as at 31st March 2022).

### 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 Partners agreed to close the company on the 4th February 2023.

31st March 2022		31st March 2023
£000 Final		£000 Draft

136	Net Assets/(Liabilities)	0
(4)	Profit/(Loss) before Taxation	0
(4)	Profit/(Loss) after Taxation	0
0	Dividends	0

SRS Business Solutions returned the £40,000 initial share capital (BS) during 2022/23 and a final dividend of £23,719 (nil in 2021/22).

#### 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 2022.

The company is exempt from audit under section 477 of the companies act 2006 for the financial year ending September 2022.

30th Sep 2021 £000 Final		30th Sep 2022 £000 Draft
322	Total Assets/(Liabilities)	322
6	Profit/(Loss) before Taxation	3
5	Profit/(Loss) after Taxation	3
0	Dividends	0

There were no transactions between Monmouthshire County Council and Y Prentis during 2022/23 (nil in 2021/22).

#### 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 2023.

31st March 2022 £000 Final		31st March 2023 £000 Draft
264	Total Assets/(Liabilities)	369
8	Profit/(Loss) before Taxation	105
8	Profit/(Loss) after Taxation	105
0	Dividends	0

Payments of £528,636 were made to the EAS during 2022/23 (£528,000 during 2021/22). Income received from EAS was £166,663. There were no outstanding income owed by the EAS to MCC at 31st March 2023 (£161,983 at 31st March 2022).

#### 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 2023.

31st March 2022		31st March 2023
£000 Final		£000 Draft
214	Total Assets/(Liabilities)	239
(92)	Profit/(Loss) before Taxation	25
(92)	Profit/(Loss) after Taxation	25
0	Dividends	0

Payments of £196,353 were made to Gwent Archives during 2022/23 (£182,244 during 2021/22). There were no balances owing to/from Gwent Archives at 31st March 2023 (nil at 31st March 2022).

#### 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 2023.

31st March 2022		31st March 2023
£000 Final		£000 Draft
2,026	Total Assets/(Liabilities)	2,314
(390)	Profit/(Loss) before Taxation	236
(390)	Profit/(Loss) after Taxation	236
0	Dividends	0

A dividend payment of £83,045 was received from Gwent Crematorium for the 2022/23 financial year (£175,318 during 2021/22). The dividend was outstanding as at 31st March 2023 (nil at 31st March 2022).

#### 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 2023.

31st March 2022		31st March 2023
£000 Final		£000 Draft
296	Total Assets/(Liabilities)	268
(16)	Profit/(Loss) before Taxation	(28)
(16)	Profit/(Loss) after Taxation	(28)
0	Dividends	0

Two payments of £27,000 were made to Project Gwyrdd during 2022/23 for 2021/22 and 2022/23. There was Nil owing to Project Gwyrdd at 31st March 2023 (£27,000 at 31st March 2022).

#### Cardiff Capital Region City Deal (CCRCDD)

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 £74,826 (£71,263 in 2021/22). The capital contribution to the project was not required during 2022/23, as was the case in 2021/22, due to reprofiling of the investment pipeline.

### CSC Foundry

During 2022/23 MCC had 'Significant Influence' over CSC Foundry Ltd which is a subsidiary of CCRC. As at 31st March 2023 CSC Foundry had £3.0m invested with the Authority which is classified within Short term borrowing in the Balance sheet (£3.0m in 2021/22).

## 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 2023						
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	123,679	0	0	<b>123,679</b>	29,807	<b>153,486</b>
Chief Officer - Resources and Deputy Chief Executive	96,309	0	0	<b>96,309</b>	23,210	<b>119,519</b>
Chief Officer - Children and Young People	91,341	0	0	<b>91,341</b>	22,013	<b>113,354</b>
Chief Officer - Communities and Place	91,341	0	0	<b>91,341</b>	22,013	<b>113,354</b>
Chief Officer - People and Governance and Monitoring Officer	88,857	0	0	<b>88,857</b>	19,964	<b>108,821</b>
Chief Officer - Social Care, Safeguarding & Health	87,616	0	0	<b>87,616</b>	21,115	<b>108,731</b>
Chief Operating Officer - MonLife	80,164	0	0	<b>80,164</b>	19,320	<b>99,483</b>
Head of Policy, Performance & Scrutiny	73,334	0	0	<b>73,334</b>	17,673	<b>91,008</b>
<b>Total</b>	<b>732,641</b>	<b>0</b>	<b>0</b>	<b>732,641</b>	<b>175,116</b>	<b>907,757</b>

Year ended 31st March 2022 (Restated*)						
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	<b>121,754</b>	28,125	<b>149,879</b>
Chief Officer - Resources & Deputy Chief Executive (Section 151 Officer)	93,142	0	0	<b>93,142</b>	21,516	<b>114,658</b>
Chief Officer - Communities & Place	89,526	0	0	<b>89,526</b>	20,681	<b>110,207</b>
Chief Officer - Children and Young People	89,416	0	0	<b>89,416</b>	20,655	<b>110,071</b>
Chief Officer - People & Governance & Monitoring Officer	85,691	0	0	<b>85,691</b>	19,100	<b>104,791</b>
Chief Operating Officer - MonLife	76,997	0	0	<b>76,997</b>	17,786	<b>94,783</b>
Head of Policy, Performance & Scrutiny	71,409	0	0	<b>71,409</b>	16,496	<b>87,905</b>

Chief Officer - Social Care, Safeguarding & Health (April - September)	50,056	0	0	<b>50,056</b>	9,949	<b>60,005</b>
Chief Officer - Social Care, Safeguarding & Health (November - March)	42,154	0	0	<b>42,154</b>	9,738	<b>51,892</b>
<b>Total</b>	<b>720,145</b>	<b>0</b>	<b>0</b>	<b>720,145</b>	<b>164,045</b>	<b>884,190</b>

Senior Officers are defined for the purposes of this disclosure as the Chief Executive, together with those senior officers that the Chief Executive is either directly responsible for or senior officers who are directly accountable to the Chief Executive. 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 24.1% of pensionable pay for staff within the Local Government Pension Scheme (23.1% for 2021/22). Expense allowances are defined as those additional costs that are chargeable to income tax and no such costs are reported in respect of 2022/23 (Nil in 2021/22).

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 £24,948. This equates to spinal point 13 and resulting in a median ratio when compared with the Chief Executive Officer salary of 5:1.

In 2021/22, the median employee position was calculated as £24,432, 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.

\* Prior year restated to include the comparative figures for the Chief Operating Officer - MonLife, who had not previously been included within the note.

## 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 2023, was:

2021/22		Remuneration Band	2022/23	
Number of employees	(Of which are teaching staff)		Number of employees	(Of which are teaching staff)
1	1	£130,000 - £134,999	0	0
0	0	£125,000 - £129,999	0	0
1	0	£120,000 - £124,999	3	1
2	1	£115,000 - £119,999	0	0
0	0	£110,000 - £114,999	0	0
0	0	£105,000 - £109,999	0	0
1	1	£100,000 - £104,999	1	1
1	1	£95,000 - £99,999	1	0
1	0	£90,000 - £94,999	4	0
4	1	£85,000 - £89,999	3	1
1	0	£80,000 - £84,999	7	2
8	2	£75,000 - £79,999	4	2
11	7	£70,000 - £74,999	15	11
12	11	£65,000 - £69,999	12	11



20	16	£60,000 - £64,999	29	19
63	41	Total	79	48

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 24.1% of pensionable pay for staff within the Local Government Pension Scheme (23.1% for 2021/22) and 23.68% of pensionable pay for staff within the Teachers' Pension Scheme (23.68% in 2021/22).

## 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.

2021/22			Exit package Cost band	2022/23		
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
25	6	203	£0 - £20,000	13	4	171
5	1	155	£20,001 - £40,000	11	0	304
0	0	0	£40,001 - £60,000	2	0	110
1	0	65	£60,001 - £80,000	0	0	0
0	0	0	£80,001 - £100,000	1	0	92
1	0	103	£100,001 - £150,000	0	0	0
0	0	0	£150,001 - £200,000	1	0	157
32	7	525	Total	28	4	834

## 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 2022/23 financial year and its position at the year-end of 31st March 2023.

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 2022/23, supported by International Financial Reporting Standards (IFRS), and the Service Reporting Code of Practice 2022/23 (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.

Unless otherwise stated the convention used in these statements is to round to amounts of the nearest thousand pounds. All totals are the rounded totals of unrounded figures and therefore may not be the strict sums of the figures presented in the text or tables. Throughout the statements all credit balances are shown with parentheses e.g. (£1,000).

### 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 2022/23 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 2023/24 Code are:

- a)** IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year). The Authority intends to adopt the new standard on 1st April 2024.
- b)** Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- c)** Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- d)** Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- e)** Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- f)** Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Note that a) will only be applicable to local authorities that intend to voluntarily implement IFRS 16 in 2023/24, and item b) will only be applicable to local authorities that have voluntarily implemented IFRS 16 in 2022/23 but chose to defer implementation for PFI/PPP arrangements until 2023/24. It is likely that though they lead to improved reporting that items c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. Item e) will only be applicable to local authorities with group accounts and it is likely that there will be limited application of item f).

### 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequences if actual results differ from assumption
Revaluation of Property, plant & equipment	<p>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.</p> <p>Traditionally the Council undertakes a rolling five-year valuation schedule to review and update the value of the assets held in the balance sheet.</p> <p>Given the potential extended length of time between valuations and the perceived impact of recent construction inflation changes upon replacement cost figures, this introduces an increased uncertainty as to the values reported.</p> <p>In order to mitigate this, a desk based exercise has been completed to revise property values impacted by construction inflation annually until that asset receives its next formal revaluation.</p>	If the actual results differ from the assumptions, the value of PPE will be over or understated. This would be adjusted when the assets were next revalued.

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.</p> <p>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.</p> <p>To account for the McCloud Judgement (public service pensions age discrimination cases) the actuary has made an estimated adjustment to these liabilities from the 2022 valuation data to ensure that it is captured in the 31 March 2023 IAS19 balance sheet figures. The final impact on the pension scheme will not be known until the required changes in legislation have been made.</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 2023. 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 2023 are deemed to provide sufficient cover for the Authority's claims exposure. Notes 13.7 provides further information on the types of claims the Authority is exposed to.
Arrears	At 31st March 2023, the Authority had an outstanding balance of short term debtors totalling £62.29m. Against this debtors balance, there is an impairment allowance of £4.00m.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on

	<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>allowances held are based on policies adapted to historic experience and success rates experienced in collection.</p>
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## 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 creditor is held 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 creditor is held at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The charge to Surplus or Deficit on the Provision of Services is 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 Receipts in Advance account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Receipts in Advance account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **17.13 Expenditure & Income where the Council is acting as an agent**

Welsh Government or UK Government will periodically use Councils' as an intermediary to distribute resources to the electorate or particular business sectors as an alternative to making their own direct payment arrangements. Such measures are classified as agency arrangements and are noted within Section 11 of these statements.

As the Code requires transactions classified as agency arrangements to be excluded from the income and expenditure of the Council (i.e amounts debited and credited to the Comprehensive Income and Expenditure Statement), many of the cash flows involved in agency arrangements will be excluded from these statements.

## 17.14 Heritage Assets

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

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

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

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

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

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

## 17.14 Intangible Assets

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

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

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

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

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

### **17.15 Inventories and Long Term Contracts**

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

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

### **17.16 Investment Property**

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

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

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

### **17.17 Fair value measurement**

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

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

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

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

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

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

## 17.18 Interests in companies and other entities

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

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

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

## 17.19 Leases

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

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

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

### *The Authority as Lessee - Finance Leases*

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

Lease payments are apportioned between:

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

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

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

### ***The Authority as Lessee - Operating Leases***

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

### ***The Authority as Lessor - Finance Leases***

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

Lease rentals receivable are apportioned between:

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

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

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

### ***The Authority as Lessor - Operating Leases***

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

## **17.20 Overheads and Support Services**

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

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.

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.