



Pembrokeshire County Council

Annual Financial Report

Including Statement of Accounts

2020-21

**Draft (subject to audit)
5 July 2021**

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1.0 NARRATIVE REPORT

1.1 INTRODUCTION

Pembrokeshire County Council's Statement of Accounts for 2020-21 provides a record of the Council's financial performance and position for the year. This section of the report aims to communicate the Council's purpose, how it has performed in accordance with its overall strategy and against performance indicators over the year, and how it has allocated its resources in line with intended outcomes. It demonstrates collective performance over the year and how well the Council is equipped to deal with the challenges ahead and to continue delivering services and supporting its local community. It tells the story of the Council by providing a holistic, clear and well-structured view of its strategy, governance, performance and future outlook.

The Council has faced a sustained level of challenge with seven years of real reductions¹ in financial settlements and significant workforce inflation, non-workforce inflation, demographic and legislative pressures, resulting in a cumulative funding gap of £98.1m (2014-15 to 2020-21). The funding gap was bridged by a combination of £23.0m additional income from Council Tax increases (including base changes), £73.8m in cost reductions/efficiencies, a £0.6m contribution from the Council Tax 2nd homes income (community element) and a £0.7m one-off contribution from reserves.

The coronavirus pandemic (Covid-19) has required an unprecedented response from Pembrokeshire County Council resulting in some services being temporarily withdrawn while others have been increased or created to support the response to the crisis and recovery from it. The impact of Covid-19 on the 2020-21 position has been significant both financially and in the way we deliver our services and is expected to continue throughout the life of the MTFP 2021-22 to 2024-25.

Welsh Government have reimbursed the majority of the Covid-19 additional expenditure and lost income for 2020-21 and also provided substantial levels of additional grant funding, with additional furlough funding being provided by the HMRC, as shown in the County Council Budget Outturn Monitoring Report 2020-21 approved by Cabinet on 28 June 2021.

These accounts have been prepared with this in mind particularly in section 6.0 Critical Judgements in Applying Accounting Policies and Estimation Risk; and section 12.13.3.1 Nature and Extent of Risks Arising from Financial Instruments.

1.2 ORGANISATIONAL OVERVIEW

1.2.1 KEY FACTS ABOUT PEMBROKESHIRE

Pembrokeshire is one of Britain's special places, combining some of the most spectacular coastal scenery with a unique cultural heritage. Nearly a third of the county is in the Pembrokeshire Coast National Park – the only coastal national park in the country, and its numerous beaches are renowned as being amongst the finest anywhere. This all makes it a particularly attractive and satisfying area in which to live and work.

¹ whilst there was an increase in AEF in 2018-19, 2019-20 and 2020-21, when adjusted for transfers into the settlement and Council Tax base changes, this was a real reduction when inflationary pressures are taken into account.



Pembrokeshire County Council provides a wide range of services for residents, businesses and visitors. We:

- Serve a population of over 124,000 people and significantly more in the summer months
- Collect rubbish and recycling from over 62,000 households
- Maintain approximately 2,500 kilometres of road, 650 bridges and 15,000 street lights
- Provide over 90 car parks with in excess of 8,000 spaces
- Are responsible for 61 schools, providing education for 17,497 pupils (April 2021)
- Provide support to pupils with additional learning needs; child protection, safeguarding and youth services
- Own and manage more than 5,600 homes
- Provide adults with information and advice to help them to live independently in the community, as well as direct support for over 5,000 vulnerable adults
- Develop a Local Development Plan, which we are required to review every four years, and process around 1,200 planning applications a year
- Provide a wide range of public protection services, including environmental health, trading standards and licensing
- Help maintain Pembrokeshire's award winning beaches, which boast 11 Blue Flag and 7 Green Coast Awards
- Manage the county's leisure facilities, and its libraries, museums and archives
- Employ 6,237 (6,174) people March 2021 (March 2020), including those working in Schools (including casual staff)

1.2.2 COUNCIL VISION

The Council Vision is "Working Together, Improving Lives".

1.2.3 CORPORATE PLAN

Our Corporate Plan 2020-21 sets out our well-being objectives and how we plan to manage services in a more sustainable way. The Plan is a requirement of the Well-being of Future Generations (Wales) Act 2015.

The well-being objectives are influenced by and aligned to the Cabinet's Programme for Administration 2018-22 and the Pembrokeshire Public Service Board's Well-being Plan published in May 2018.

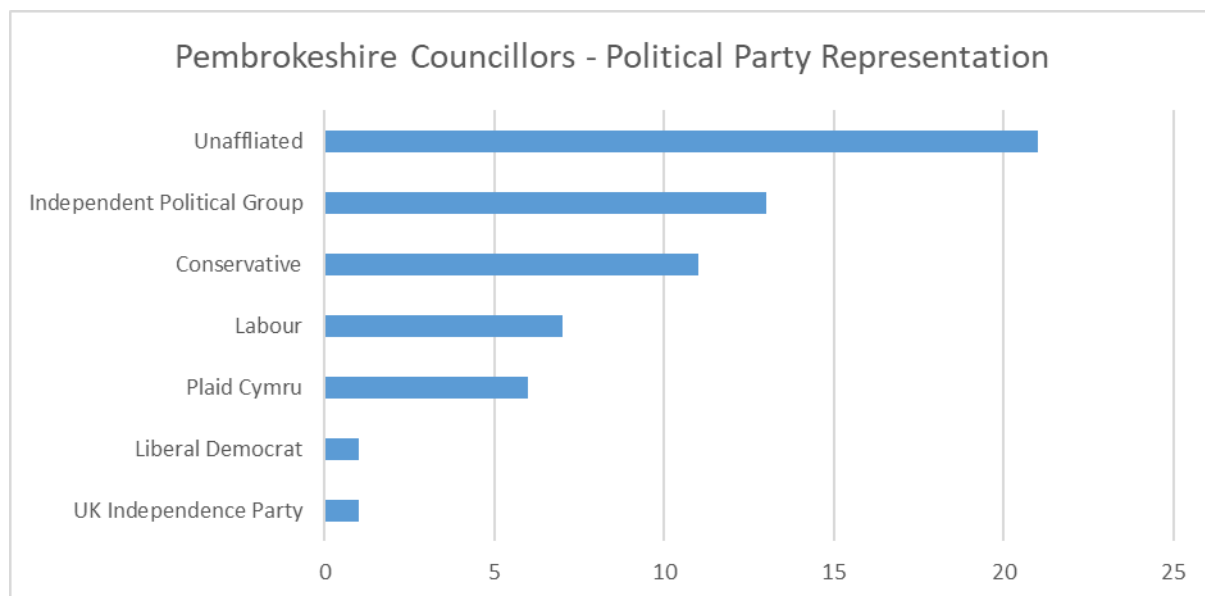
The Well-Being Objectives for 2020-21 were:

- Education: Pembrokeshire a great place to learn, live and grow.
- Social Care: We will do whatever we can to support people in leading the best life they can whilst focusing on prevention and ensuring vulnerable people are safe.
- Economic: We will work with partners to promote Pembrokeshire as a great place to visit, live and work.
- Housing: Enable affordable, decent, and adaptable homes for all in sustainable locations.
- We will promote pride in Pembrokeshire seeking to enhance its reputation as a place for exceptional environmental quality.
- Transformation: Technology; Culture and Relationships.



1.2.4 POLITICAL PROFILE

The Council comprises 60 elected Members who each represent residents in different areas of Pembrokeshire. The Council has adopted the Leader and Cabinet model of governance. The Cabinet is a mix of Labour, Plaid Cymru, Liberal Democrat and unaffiliated Councillors led by an unaffiliated Leader.



1.2.5 THE CONSTITUTION

The Constitution sets out how the Council operates, the various bodies which make up the Council, how decisions are made and the procedures which are followed.

Some of these processes are required by the law, while others are a matter for the Council to determine.

The Council has adopted a revised Constitution which came into effect on 18 November 2016 and has been updated in January 2018, June 2019, January 2020, July 2020, February 2021 and March 2021 following Constitutional changes adopted by Council.

1.2.6 GOVERNANCE AND RISKS

We prepare an Annual Governance Statement (AGS) which accompanies the Statement of Accounts each year. This outlines the Council's governance framework, and following review of effectiveness, identifies significant governance issues, priorities for improvement and priorities for delivery, with specific actions to be undertaken the following year. It is produced in accordance with the Accounts and Audit (Wales) Regulations 2014 which require the Council at least annually, to review the effectiveness of its governance framework, including the system of internal control. The AGS for 2020-21 will be considered by the Governance and Audit Committee on 27 September and will be approved by Council on 14 October 2021.

1.2.6.1 BUSINESS RISK MANAGEMENT

Members and Officers are responsible for ensuring that risk is considered in the decisions that they take and suitable arrangements are put in place to manage risk. The Governance and Audit Committee has responsibility for overseeing the Council's Business Risk Management arrangements.

The Council's Business Risk Management Strategy is reviewed and updated annually to ensure it remains aligned to the Council's Well-being objectives and is a true reflection of the risk appetite. The Business Risk Management Strategy outlines the roles, responsibilities and the approved framework for managing business risk.

The Corporate Risk Register identifies the risks (threats and opportunities) to achievement of the Council's Well-being Objectives. This is a live document which was last formally reviewed by the Governance and Audit Committee on 13 April 2021.

1.2.7 TRANSFORMATION PROGRAMME

The Council's Transformation Programme was established in response to the funding gap identified. On 16 April 2018, Cabinet approved the Transformation Programme Governance Arrangements. The current Transformation Programme has individual work streams under 3 themes: Technological Transformation, Cultural Transformation, and Relationship Transformation. The Transformation Programme provides Directors and Heads of Service with the tools required to assist them in achieving their cost reduction/efficiency targets (maintaining their flat-line budget) over the MTFP. Work is ongoing to align the Transformation Programme with the new Improvement Programme approved by Council on 13 May 2021.

1.2.8 STRATEGIC PARTNERSHIPS

The Council supports a number of strategic partnerships both financially and with Officer and Member time. The drivers for these partnerships include legislation, for example, the 'Safer Pembrokeshire Community Safety Partnership', and government policy, for example, 'Education through Regional Working Consortium (ERW)'. Details of the Council's Strategic Partnerships are included within the Annual Governance Statement.

1.3 PERFORMANCE 2020-21

1.3.1 IMPROVEMENT REVIEW

The Annual Improvement Review looks back at our previous year's performance and details how we are meeting our plans to improve the way in which we deliver services to our customers. The Improvement Review for 2019-20 was approved by Council on 8 October 2020.

Following on from the Corporate Peer Challenge in February 2020, the Council participated in a Communications Peer Challenge in December 2020 and an Economy Peer Challenge in June/July 2021.

A new Performance and Budget Challenge Board was created in 2020-21. An ongoing series of external reviews of Council services has commenced with the reports and recommendations from completed reviews of Legal Services, Human Resources, Planning Services, Property & Asset Management, Adult Social Care (including Business Services) and Childrens' Social Care considered by the Board in May/June 2021.

1.3.2 REVENUE OUTTURN 2020-21

The County Council Budget Outturn Monitoring Report 2020-21 was approved by Cabinet on 28 June 2021. The revenue outturn financial position confirmed the Council's net expenditure for 2020-21 at £234.3m, after appropriations to and from reserve, an underspend of £1.189m. An additional £0.515m Council Tax income was collected over that anticipated when the original 2020-21 budget was approved. The additional income is due to a Council Tax collection deficit being offset by an additional £1.3m contribution received from Welsh Government. This has provided the opportunity to appropriate £1.704m to the new Covid-19 reserve earmarked to fund the expected ongoing financial pressure of recovery from the Covid-19 pandemic in the current and future years.

Welsh Government have reimbursed the majority of the Covid-19 additional expenditure and lost income for 2020-21 and also provided substantial levels of additional grant funding, with additional furlough funding being provided by the HMRC, as shown in the County Council Budget Outturn Monitoring Report 2020-21 approved by Cabinet on 28 June 2021.

A contingency of £1.249m was included in the 2020-21 revenue budget but was unused during the year. This offset the overspend due to delays in delivery of the Corporate Restructure with the resulting underspend contributing towards the net outturn position. Whilst it would have been prudent to keep the contingency in the 2021-22 budget, due to the significant funding gap for 2021-22 and the requirement to reduce the budget pressures, it was agreed by Cabinet on 30 November 2020 that it should be removed.

The Authority implemented flat-line (cash) revenue budgets for all services from April 2020, with services being invited to bid for inflationary pressures and growth. A new Performance and Budget Challenge Board was created in 2020-21. It considered and challenged previous financial performance, bids for growth on flat line budgets and cost reduction/efficiency proposals for the 2021-22 budget, making recommendations to Cabinet.

	Original Budget 2020-21 £m	Q3 Rolling Budget* 2020-21 £m	Q3 Projected Outturn 2020-21 £m	Actual Outturn 2020-21 £m
Gross Expenditure	366.6	371.5	379.1	389.7
Income	(134.6)	(137.9)	(147.6)	(180.1)
Contribution to / (from) Reserves	3.5	1.9	3.6	24.7
Net Expenditure	235.5	235.5	235.1	234.3
Second Home / Long Term Empty Property Contribution to Reserves	-	-	-	2.3
Surplus Contribution to Covid-19 Reserve	-	-	-	1.7
Total Net Expenditure	235.5	235.5	235.1	238.3

*Rolling Budget reserves position incorrectly reported in Q3 report.

During 2020-21, each of the service revenue budgets was given a RAG rating in terms of their year-end outturn position:

RAG Rating:	Achievement:
Red	Budget significantly overspent when compared to rolling budget
Amber	Budget broadly achieved when compared to rolling budget
Green	Budget significantly underspent when compared to rolling budget

The table below shows the actual outturn position compared to the Quarter 3 rolling budget and the Quarter 3 projected outturn at a Directorate level.

Directorate	2019-20 Actual Outturn	Net Expenditure 2020-21			Variance Actual to Q3 Rolling Budget
		Q3 Rolling Budget	Q3 Projected Outturn	Actual Outturn	
	£'000	£'000	£'000	£'000	£'000
Education - Individual School Budgets	70,674	75,263	75,303	75,130	(133)
Education - Other	19,048	19,605	19,411	17,969	(1,636)
Social Care - Children	13,584	14,394	16,335	15,285	891
Social Care - Adults	53,989	55,084	56,744	57,757	2,673
Housing Services	861	1,190	1,201	1,167	(23)
Housing Revenue Account	-	-	-	-	-
Highways & Transportation Services	7,895	8,372	8,329	8,206	(166)
Culture & Related Services	5,823	6,067	5,814	5,383	(684)
Planning & Development Services	1,668	1,713	1,955	1,642	(71)
Environmental Services	13,603	15,303	15,366	14,707	(596)
Central, Corporate & Democratic Services**	8,836	8,252	8,014	10,654	2,402
Council Tax Reduction Scheme	9,120	9,710	9,710	9,520	(190)
Court Services	317	333	318	288	(45)
Corporate Restructure Saving	-	(340)	-	-	340
Contingency	-	1,249	-	-	(1,249)
Long Term Empty Properties*	134	-	-	247	247
Affordable Housing Scheme*	1,015	-	-	1,039	1,039
Contributions to Community*	1,016	-	-	1,039	1,039
Net Cost of Services	207,583	216,195	218,500	220,033	3,838
Levies	7,536	8,159	7,904	7,903	(256)
Net Investment Income	(775)	(362)	(421)	(418)	(56)
Capital Financing Costs	10,820	11,468	9,073	10,782	(686)
Total Net Expenditure	225,164	235,460	235,056	238,300	2,840

Financed By:	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant and Special Grant***	(121,872)	(128,760)	(128,760)	(132,584)	(3,824)
NNDR***	(40,576)	(43,444)	(43,444)	(39,620)	3,824
Council Tax	(60,551)	(63,256)	(63,256)	(63,771)	(515)
Second Homes & Long Term Empty Premium Council Tax*	(2,165)	-	-	(2,325)	(2,325)
Total Funding	(225,164)	(235,460)	(235,460)	(238,300)	(2,840)

*Second Homes Council Tax and Long Term Empty Properties Premium shown separately in the Management Accounts but consolidated in the Statement of Accounts tables.

**Central, Corporate & Democratic Services includes £1.7m surplus contribution to the Covid-19 reserve.

***Variance in Revenue Support Grant and NNDR split in AEF funding due to NNDR relief provided during 2020-21.

All service specific issues and commentary are shown in the County Council Budget Outturn Monitoring Report 2020-21 approved by Cabinet on 28 June 2021.



1.3.3 COST REDUCTIONS/EFFICIENCIES 2020-21

The cost reduction/efficiency target for 2020-21 was £7.953m (£5.250m + £2.703m slippage from 2019-20). As a result of service priorities being refocused on managing the impact of Covid-19, £5.113m (64.3%) of this target has not been achieved resulting in increased pressure in both 2020-21 and 2021-22.

The table below shows the agreed cost reductions/efficiencies at a Directorate level along with details of achievement and the slippage at the end of 2020-21.

Directorate Cost Reduction/Efficiency :	Target 2020-21 £000's	Projected to Achieve/ Partially Achieve Q3 2020-21 £000's	Achieved Outturn 2020-21 £000's	Slipped to 2021-22 £000's
Education Services	1,130	1,003	406	724
Social Care – Children	669	76	19	650
Social Care – Adults	3,158	1,397	1,275	1,883
Housing General Fund	19	2	2	17
Highways & Transportation Services	214	6	1	408
Culture & Related Services	384	143	100	320
Planning & Development Services	432	102	73	359
Environmental Services	693	388	388	323
Other Central, Corporate & Democratic Services	136	100	81	55
Central and Other Holding Accounts	1,118	538	495	374
Total Cost Reductions/Efficiencies 2020-21	7,953	3,755	2,840	5,113

The £5.113m cost reductions/efficiencies not achieved in 2020-21 will be rolled forward to 2021-22.

Welsh Government have provided funding of £1.013m towards the additional pressures arising from the non-achievement of cost reductions/efficiencies in 2020-21.

1.3.4 HOUSING REVENUE ACCOUNT (HRA)

The Housing Revenue Account is a ring-fenced account, it includes income from rents and expenditure on managing the housing stock and related services.

- The Council has 5,640 (5,640) dwellings and 1,075 (1,075) shops and garages at 31 March 2021 (31 March 2020).
- The average opening un-rebated weekly rent collectable for 2020-21 was £85.22 (2019-20 £81.92).
- Income including rent and charges for services totalled £25.61m (2019-20 £25.094m).
- Revenue expenditure included £10.648m (2019-20 £13.687m) on repairs and maintenance, £0.632m (2019-20 £0.534m) on Rent, Rates, Taxes and the provision for bad and doubtful debts, £4.550m (2019-20 £4.878m) on Capital financing adjustments and £9.780m (2019-20 £5.995m) appropriation to reserves for Capital improvements and maintenance catch up programme.
- Rent arrears for current tenants at the end of 2020-21 was £1.500m, an increase of £0.375m on the 2019-20 year end position. The rent arrears as a percentage of total rent due had increased by 1.36% on the 2019-20 year end position

1.3.5 CAPITAL EXPENDITURE 2020-21

A key Council aim is to deliver an affordable and sustainable capital programme which underpins the Council's Well Being objectives. Capital expenditure for 2020-21 was £51.867m against a projected outturn of £88.640m and was financed from a number of sources, as shown in the table below.

Each element of the capital programme, at both a Directorate and individual project level, has been given a RAG rating based on the detailed criteria shown in the County Council Budget Outturn Monitoring Report 2020-21 approved by Cabinet on 28 June 2021.

	2020-21			2021-22
	Projected Outturn	Actual Expenditure	Actual to Projected Outturn	Original Estimate
	£000	£000	%	£000
Expenditure				
Education	7,502	4,690	63%	12,489
Social Care	3,894	2,814	72%	1,501
Highways & Transportation	9,927	7,097	71%	5,943
Housing – General Fund	2,642	1,021	39%	1,050
Culture & Related Services	1,988	1,443	73%	3,461
Planning & Development	14,970	8,437	56%	7,414
Environmental	2,003	1,095	55%	4,530
Corporate	11,043	2,132	19%	4,185
Housing - H.R.A.	16,068	10,170	63%	22,206
City Deal	4,242	-	0%	5,386
21st Century:				
Band A	2,240	1,727	77%	804
Band B	12,121	11,241	93%	29,281
Total Expenditure	88,640	51,867	59%	98,250
Financing				
Borrowing	12,382	948		45,907
Capital Grants & Contributions	53,986	41,815		42,534
Capital Receipts & Capital Fund	16,100	7,621		6,914
Earmarked Reserves	6,172	1,483		2,895
Total Financing	88,640	51,867		98,250

The original capital investment programme for 2021-22 and indicative programme for 2022-23 to 2024-25 was approved by Council on 4 March 2021. All capital projects will be reviewed to assess their current costs and progress as well as ascertaining the impact of Covid-19. The approved programme will be amended to reflect the following changes:

- Where projects in 2020-21 have not been completed by 31 March 2021, the resource may be rolled over to 2021-22;
- The approval and amendment of capital grant assumptions made during the budget cycle;
- The re-phasing and re-profiling of expenditure on certain projects;
- The deletion of projects no longer required; and
- The inclusion of new capital projects that have been approved through the Capital Bid process.

The outcome of this exercise will be reported to Cabinet in September 2021.

1.3.6 TREASURY MANAGEMENT

The Council's Treasury Management Strategy and Investment Strategy for 2020-21 were approved by Council on 27 February 2020. Treasury Management Indicators should always have a RAG rating of Green – "compliance with agreed limits and indicators". During 2020-21, there was full compliance and all RAG ratings were Green, no exceptions.

Borrowing transactions were within approved limits and all investments met the credit worthiness criteria at the date of deposit during the year ended 31 March 2021.

- External borrowing decreased from £212.8m to £204.6m
- Average investment portfolio was £77.7m (2019-20 £61m) with investment income of £0.23m (2019-20 £0.54m)
- The total amount of investments held at the 31 March 2021 was £58.07m (2019-20 £41.62m)

	Projected Outturn 31 March 2021 £m	Actual 31 March 2021 £m
Capital Financing Requirement		
General Fund	174.8	163.5
HRA	71.1	69.1
Total Capital Financing Requirement	245.9	232.6
External Debt		
Gross Borrowing	219.6	204.6
Other Long Term Liabilities	6.0	6.0
Total Gross External Debt	225.6	210.6

1.3.7 REVENUE COLLECTIONS

1.3.7.1 COUNCIL TAX

Cash collected to 31 March 2021 was £71.00m against a collectable debit of £74.29m. This represents an in year collection rate of 95.57%, which was lower than the 2019-20 collection rate of 97.65%.

The impact of the Covid-19 pandemic has resulted in a reduced Council Tax collection rate for 2020-21. Formal recovery action was taken in the latter part of the year which resulted in some recovery of the situation.

As outlined in 1.3.2, Welsh Government provided a contribution of £1.3m towards our Council Tax collection rate deficit for 2020-21.

1.3.7.2 2ND HOMES PREMIUM AND LONG TERM EMPTY PROPERTY PREMIUM

2020-21 was the fourth year of the 2nd Homes Council Tax Premium; the debit raised for 2020-21 was £2.3m with the actual cash collected being £1.9m (2019-20 £2.1m and £2.03m).

2020-21 was the second year of the Long Term Empty Property Premium, the debit raised for 2020-21 was £298k with the actual cash collected being £229k (2019-20 £140k and £134k).

1.3.7.3 BUSINESS RATES

Cash collected to 31 March 2021 was £40.30m against a collectable debit of £41.38m. This represents an in year collection rate of 97.40% which was lower than the 2019-20 collection rate of 98.58%.

Tables detailing all revenue collections are held within the County Council Budget Outturn Monitoring Report 2020-21 approved by Cabinet on 28 June 2021.

The collectable debit was lower than in 2019-20 due to the introduction of Retail Leisure & Hospitality Rate Relief introduced as a result of Covid-19. The resultant reduction in Non Domestic Rating pool entitlement has been offset by a corresponding increase in the Revenue Support Grant received as part of the Aggregate External Funding received from Welsh Government.

1.3.8 OTHER NON-COUNCIL GRANTS

As part of the Covid-19 response, Pembrokeshire County Council has administered the distribution of £88m of Business Support Grants, Care Worker payments, Freelancer Grants, Self-isolation payments and SSP payments to Care Homes. These payments are not included within the management accounts reported as Pembrokeshire County Council is acting as an agency for Welsh Government.

1.4 FINANCIAL POSITION 2020-21

The Balance sheet of the Council is summarised below and shows its assets and liabilities.

2019-20		2020-21	
Net Assets	Reserves	Net Assets	Reserves
Long Term Assets £726m	Usable Earmarked Reserves and Capital Receipts £56m	Long Term Assets £815m	Usable Earmarked Reserves and Capital Receipts £78m
Current Assets less Current Liabilities £37m	Usable General Balance £8m	Current Assets less Current Liabilities £63m	Usable General Balance £8m
Long Term Liabilities (£464m)	Unusable Reserves £235m	Long Term Liabilities (£476m)	Unusable Reserves £316m
TOTAL NET ASSETS £299m	TOTAL RESERVES £299m	TOTAL NET ASSETS £402m	TOTAL RESERVES £402m

1.4.1 PROPERTY PLANT AND EQUIPMENT AND OTHER NON-CURRENT ASSETS

Movement in asset valuations as well as accounting charges such as depreciation have no impact on the Council Tax or rent payable as they are required to be reversed from unusable reserves.

Note 12.1 provides full details of asset movements during the year.

As part of the Council's rolling programme, revaluations of schools, housing, HRA land, garages and HRA shops took place.

Capital receipts from the disposal of property assets was £1.0m in respect of non-council housing and £0.380m in respect of Council House Sales.

1.4.2 LONG TERM LIABILITIES – PENSION LIABILITY

The Council is a member of the Dyfed Pension Fund, with details of Pension Costs shown in Note 10.4.

- The cost to the Council during the year for pension liabilities was £15m.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £265m at 31 March 2021, based on the latest actuarial assumptions. This has increased by £14m from 2019-20.
- The fund is revalued every three years, with the fund's assets at 31 March 2019 reflected in the 2020-21 accounts.

The Teacher's pension scheme is administered by the Department for Education in England and Wales. This is an unfunded scheme, meaning that there are no investment assets accumulated to meet pension costs before they arise, and therefore no fund assets or liabilities appearing in the Council's Balance Sheet.

1.4.3 RESERVES

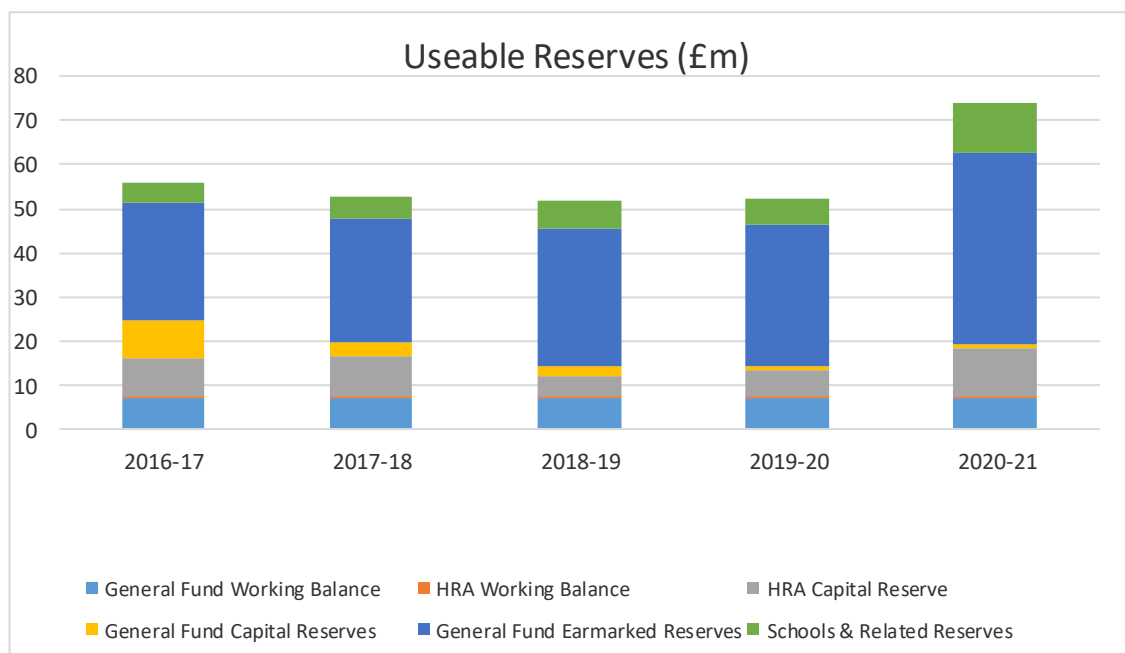
Useable Reserves are set aside for specific purposes or for general contingencies and cash flow management. The Strategy for Holding and Utilising Reserves was agreed by Council on 10 March 2016 and can be found on our website via the following link (Budget Report Appendix B).

Unusable reserves are maintained to comply with relevant accounting requirements and cannot be used for specific purposes.

Useable reserves are detailed in Note 11.2, whilst unusable reserves are shown in note 12.13. The chart below shows the movement in useable reserve balances from 2016-17 to 2020-21.

A significant amount of grant funding was received at the end of 2020-21 which was used to offset existing expenditure. Savings were also recognised where works could not be carried out due to Covid-19 restrictions. Where expenditure has been delayed and a specific scheme of work has been identified, these underspends have been appropriated to reserve to fund the increase in expenditure to catch-up. This has resulted in an increase in usable reserves held as at 31 March 2021. These additional appropriations to reserve must be drawn down over the term of the MTFP.





1.5 FINANCIAL OUTLOOK

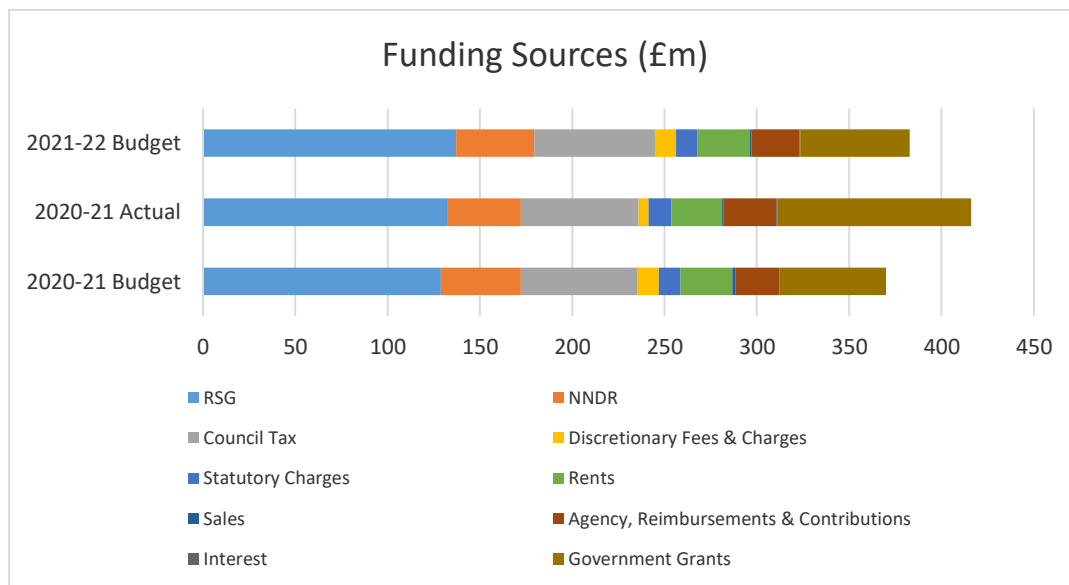
The Covid-19 pandemic has required an unprecedented response from the Council during the response and recovery phases, and it is hoped that we can start to move from the recovery phase to steady state during 2021-22. However, there remains considerable uncertainty concerning the Covid-19 virus, new variants, the public health restrictions, vaccination rollout and treatment. All these could have material implications for Pembrokeshire County Council for the foreseeable future. The Budget for 2021-22 will be reviewed and updated throughout the year to reflect the financial impact of Covid-19.

The additional costs and the net lost fees and charges income relating directly to Covid-19 will continue to be funded by the Welsh Government hardship fund for the first 6 months of 2021-22. Funding for the second 6 months of 2021-22 is currently being considered by Welsh Government, with Social Care funding already confirmed. Any resulting financial pressure on Pembrokeshire County Council budgets from the recovery from Covid-19 during the current or future years may have to be funded through use of the Covid-19 reserve, earmarked reserves or the working balance. The impact on future year settlements is unknown, but we are currently planning for a flat-line settlement for the term of the MTFP. The level of Council Tax increases for future financial years will be a key consideration in determining the Council's future budgets, but it is anticipated that any increase for 2022-23, the year before the Council elections, is likely to be low.

The Medium Term Financial Plan (MTFP) 2021-22 to 2024-25 outlined the Covid-19 related risks, but the potential financial pressures were not reflected in the funding gaps as it was assumed they would be fully funded by Welsh Government. This will be kept under close review with financial pressures brought into the MTFP incrementally as required.

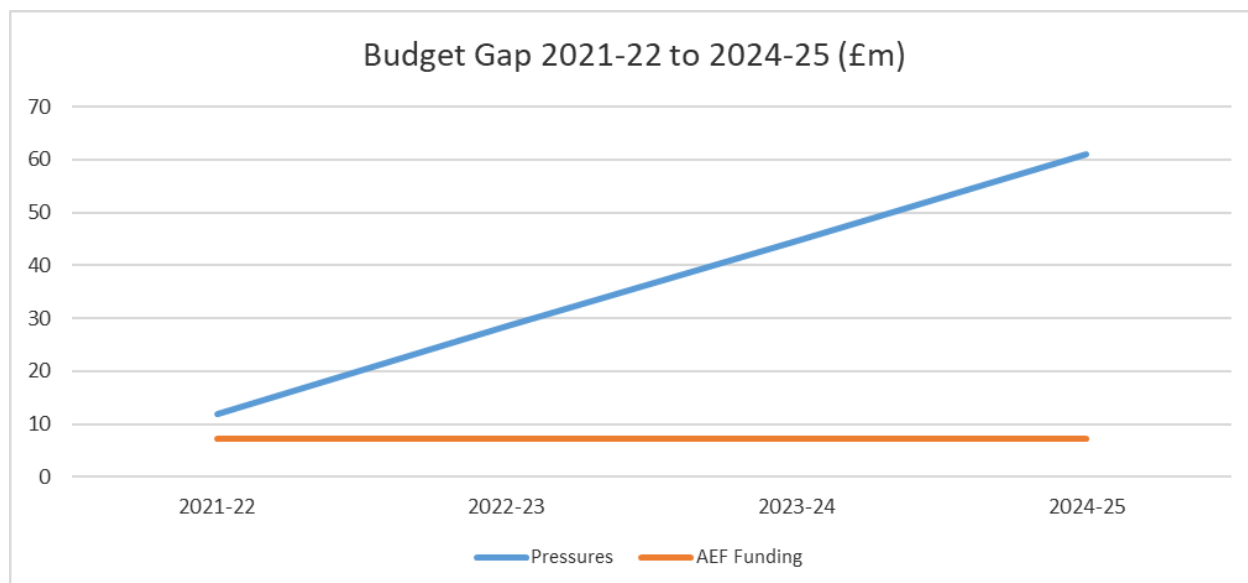
The Council receives its funding from two main sources – Aggregate External Finance (AEF) and Council Tax. The AEF, comprising of Revenue Support Grant (RSG) and redistributed National Non-Domestic rates is awarded by Welsh government. Other sources of funding include specific Government and European grants and income from fees and charges. The table below shows the budgeted funding for 2021-22 versus actual and budgeted funding received during 2020-21.

During 2020-21 additional funding was received from Welsh Government to fund the additional expenditure and loss of income arising as a result of the Covid-19 response. This additional funding has not been budgeted for in 2021-22.



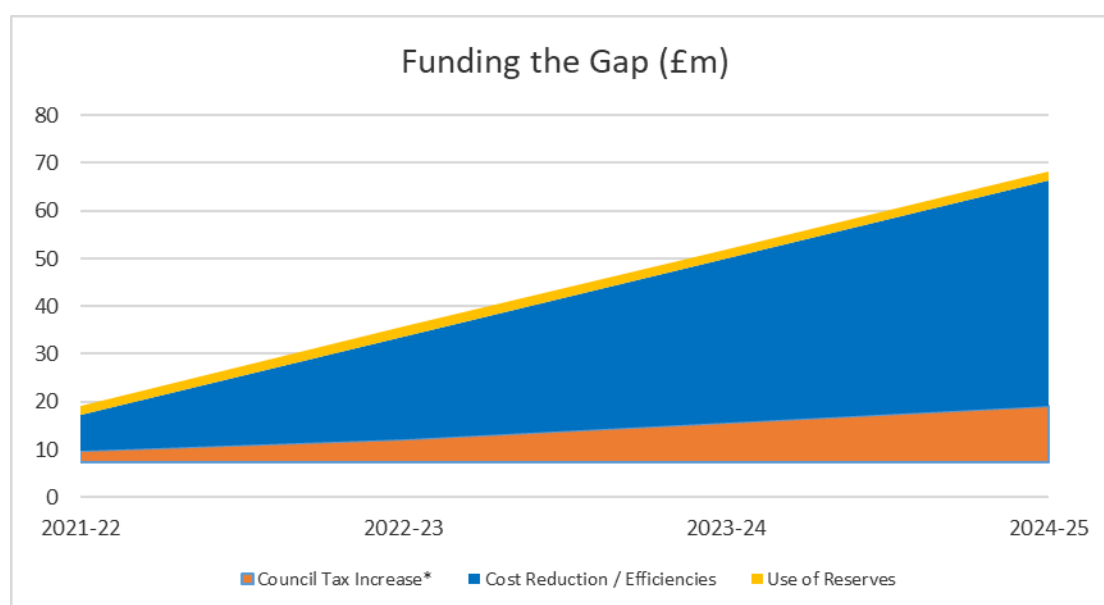
The 2021-22 budget approved by Council on 4 March 2021 identified a funding gap for 2021-22 of £11.9m and the projected funding gap for the MTFP 2021-22 to 2024-25 of £61.1m assuming an increase in AEF of 4.0% in 2021-22 and 0% (flat-line) for 2022-23 to 2024-25. This does not include the potential ongoing impact of the Covid-19 pandemic. The funding gap for 2021-22 is to be bridged by £2.4m of additional Council Tax income; £2.6m contribution from reserves and £7.5m of cost reductions/efficiencies enabling £0.6m of additional growth above identified pressures.

The table below shows the projected funding gap over the life of the MTFP 2021-22 to 2024-25.



The Council continued to have the lowest Council Tax (Band D) in Wales for 2020-21, despite a Council Tax increase of 5.0%. The Council Tax increase of 3.75% for 2021-22 will generate an additional £2.4m. The MTFP 2021-22 to 2024-25 assumes a Council Tax increase of 3.75% 2021-23 and 5% 2023-25, the remaining funding gap being met by cost reductions / efficiencies.

The table below shows how the projected funding gap will be met during the life of the MTFP 2021-22 to 2024-25.



*Council Tax increase assumes no change in Council Tax Base 2022-23 to 2024-25.

The use of earmarked reserves is governed by the Strategy for Holding and Utilising Reserves, approved by Council on 10 March 2016. For 2021-22, it is proposed that a contribution of £2.6m from earmarked reserves (service reconfiguration/ invest to save) will be utilised to bridge the funding gap.

It has been assumed that there will be no further contributions from earmarked reserves or the working balance over the MTFP, as this can only ever be a short term “sticking plaster” solution.

1.5.1 KEY FINANCIAL RISKS IDENTIFIED IN THE COUNTY COUNCIL BUDGET 2021-22 REPORT

- Well-being Objectives may not be appropriately funded during 2021-22 due to approval of the Corporate Plan and Budget not being aligned.
- National Pay Awards and Employers Pension Contributions may be above that budgeted
- Additional in year pressures due to Brexit and Covid-19
- The removal of the contingency may result in the failure to deal with unplanned budget pressures materialising in year
- Council Tax collection rate may be lower than budgeted
- Council Tax Reduction Scheme (CTRS) costs may increase
- Grant Funding may not materialise
- A Reducing Workforce will have a direct impact on service provision
- Capital Financing Costs become unaffordable – this has been mitigated by introduction of a cap of £14m per annum, to be increased by inflation from 2021-22 (now £14.07m)
- The basis of the Medium Term Financial Plan is revised
- Costs associated to deliver the Council’s commitment to a net zero carbon by 2030

1.6 POST BALANCE SHEET EVENTS

The Council has been working with Local Partnerships in respect of terminating the PFI contract, and it served a 12 month termination notice on the Pembroke Dock PFI contract on 27 July 2020, with the contract now due to terminate on 27 July 2021.

The Swansea Bay City Deal Pembroke Dock Marine agreements between the Council and the four delivery partners were signed on 2 July 2021.

Cabinet on 28 June 2021 approved formal submission of the Swansea Bay City Deal Skills and Talent business case to the Portfolio Management Office.

Discussions are ongoing at July 2021, but it is anticipated that ERW will cease on 31 August 2021 and a new partnership of Pembrokeshire, Carmarthenshire and Swansea Councils will commence from 1 September 2021.

In April 2021 a VAT return error was identified relating to 2020-21. HMRC issued a penalty which was suspended for 1 month. All suspension conditions have been met.

1.7 CONCLUSION

When the County Council Budget 2020-21 and Summary MTFP 2020-21 to 2023-24 were approved by Council on 27 February 2020, no-one could have foreseen Covid-19 or its impact on the Council's finances, with substantial additional expenditure and lost income.

Welsh Government have reimbursed the majority of the Covid-19 additional expenditure and lost income for 2020-21 and also provided substantial levels of additional grant funding, with additional furlough funding being provided by the HMRC, as shown in the County Council Budget Outturn Monitoring Report 2020-21 approved by Cabinet on 28 June 2021. Welsh Government are continuing to reimburse the additional expenditure and lost income during 2021-22, with the hardship fund being in place for the first six months and likely to be continued for the remainder of the financial year as outlined in 1.5 above. Beyond 2021-22, it is not known whether there will be any further Welsh Government funding for Covid-19, however, the Council's Covid-19 reserve has been increased to £6.3m in order to provide the Council with funding to address future financial challenges arising from the ongoing recovery from Covid-19.

The outturn position of an underspend after appropriations to reserve is a positive one, especially when we were projecting a significant overspend at Period 6. £24.7m was the net revenue appropriated to reserve at outturn, as shown in the County Council Budget Outturn Monitoring Report 2020-21. Whilst this is also positive, a significant element is a "sticking plaster" to be used to recover and catch up from Covid-19 and does not mean the financial challenges outlined in the Medium Term Financial Plan 2021-22 to 2024-25 have gone. They still remain and we must ensure that we continue to address them and move the Council to a sustainable financial position over the medium and longer term.

Covid-19 has made the implementation of planned cost reductions/efficiencies extremely challenging, but it was disappointing that the projected £4.2m slippage had increased to £5.1m at outturn.

As stated in previous reports, the significant projected funding gap over the Medium Term Financial Plan 2021-22 to 2024-25 will inevitably result in some extremely difficult decisions having to be made, by officers and Members, in order to address the financial challenges in future years. The positive outturn position should not be used to mask the challenges ahead.

If you need any more information about our Statement of Accounts, please contact the Director of Resources, Pembrokeshire County Council, County Hall, Haverfordwest, SA61 1TP. Our Statement of Accounts will also be available on the Council's internet site.

**Jonathan Haswell FCCA
Director of Resources**



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Opinion**

I have audited the financial statements of Pembrokeshire County Council for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Pembrokeshire County Council as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the 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 Pembrokeshire County Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or

otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

REPORT ON OTHER REQUIREMENTS

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21;
- 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 the Annual Governance Statement has been prepared in accordance with guidance

Matters on which I report by exception

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

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

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

RESPONSIBILITIES

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 21 to 22, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material



misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

My procedures included the following:

- Enquiring of management, Chief Audit, Risk and Information Officer and those charged with governance, including obtaining and reviewing supporting documentation relating to the 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, posting of unusual journals and (add as appropriate to the audit);
- Obtaining an understanding of Pembrokeshire County Council's framework of authority as well as other legal and regulatory frameworks that Pembrokeshire 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 Pembrokeshire County Council.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Council
- 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; and

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team 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 Pembrokeshire 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. This description forms part of my auditor's report.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Pembrokeshire 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
For and on behalf of the Auditor General for Wales
2021

24 Cathedral Road
Cardiff
CF11 9LJ



3.0 STATEMENT OF ACCOUNTS

3.1 STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Resources.
- To manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

THE DIRECTOR OF RESOURCES' RESPONSIBILITIES

The Director of Resources 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 Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Director of Resources has also:

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

CERTIFICATE OF DIRECTOR OF RESOURCES

The Statement of Accounts of the Pembrokeshire County Council for the year ended 31 March 2021 is contained within Sections 4-14, and is produced in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended). The Regulations prescribe the contents of the Statement of Accounts and it is upon the contents only that the Audit opinion is expressed.

I certify the accounts present a true and fair view of the financial position of Pembrokeshire County Council as at 31 March 2021* and its income and expenditure for the year ended 31 March 2021* and append my signature to the Statement in accordance with Regulation 10(1).



J HASWELL FCCA
Director of Resources
Date: 5 July 2021

*There is an ongoing review by Audit Wales into the lawfulness of the settlement agreement payment to the former Chief Executive.

REPORTING AND APPROVAL

These accounts, initially published on 5 July 2021, will be reported to Full Council for approval on 14 October 2021, following the conclusion of the Annual Audit. The audit certificate is shown in section 2.0.

Chairman of Council
Date: 14 October 2021

4.0 CORE FINANCIAL STATEMENTS - UNDERLYING PRINCIPLES

The application of accounting standards, concepts, critical judgements and inherent risks, and accounting policies used in preparing the core Financial Statements are set out within Section 8.0.

4.1 FINANCIAL REPORTING STANDARDS

The International Financial Reporting and Other Standards that have been issued have been applied as required by the Code of Practice on Local Authority Accounting 2020-21, and the Statement of Accounts as set out within Sections 4-15, have been prepared in compliance with the Code.

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

- CIPFA/LASAAC have deferred implementation of IFRS 16 for Local Government to 1 April 2022. This standard replaces the current guidance in IAS 17 on leases. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting. A project group has been set up to implement this change and to ascertain the impact.
- The Accounts and Audit (Wales) Regulations 2014 amended by SI 2018 No 91 requires Welsh Local Authorities to bring forward the accounts closure and publication timetable. The regulations require signing, approval and publication to take place by 31 July from 2021. Although the Authority has been producing its Statement of Accounts earlier than current regulations require for several years, the Covid-19 pandemic has resulted in the delay in publication of the 2020-21 Statement of Accounts to 14 October 2021.

5.0 ACCOUNTING CONCEPTS

The following pervasive accounting concepts have been used in the preparation of the Core Accounting Statements:

- Accruals basis
- Going concern

The qualitative characteristics of useful financial information continue to be employed:

- Relevance
- Comparability
- Verifiability
- Timeliness
- Understandability
- Materiality
- Faithful Representation
 - Completeness
 - Neutrality
 - Free from error
- Primacy of legislative requirements



In applying the accounting policies set within Note 8.0, the Council has made judgements about the complex transactions and those involving uncertainty in future years.

- Although there is a high degree of uncertainty about the future level of funding for local government, there is insufficient evidence to conclude that any assets of the Council may be impaired as a result.
- The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence returning to levels where adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuation performed by Pembrokeshire County Council's Chief Property Officer, is not reported as being subject to "material valuation uncertainty" as defined by VPS 3 and VPGA 10 of the RICS valuation – Global standards, except as identified below.
- In certain instances it has been necessary to estimate the charges made in the accounts using historical experience, current trends etc. Actual results may be different from the assumptions made and consequently may affect the charges made in future years' accounts.'
- A planned investment of £106.4m for the 21st Century Schools Band B Programme has been agreed in principle by Welsh Government, for the period 2019-20 to 2024-25. The programme is across three key projects and based on 65% grant funding (75% for Special Schools) from Welsh Government. The requirement to find £35.48m (Full Council 4 March 2021) match funding remains a key issue. The Council will need to confirm the affordability of each project before commencement. Following detailed feasibility work on the projects which have not yet commenced, it is evident that the potential cost of the Band B programme could rise to £153.3m, therefore, consideration is being given to its affordability and alternative funding options, e.g. Additional Welsh Government grant funding or Mutual Investment Model (MIM).
- The Swansea Bay City Region Deal involving Pembrokeshire County Council, Carmarthenshire County Council, Neath Port Talbot County Council and Swansea City Council was signed by the UK Prime Minister on 20 March 2017. It involves £1.3bn of private and public investment to be spent over 15 years. In June 2020 the Pembroke Dock Marine business case received approval to be part of the overall Swansea Bay City Deal programme. Due to timing of the £28.0m grant this project will require the Council to borrow £14.1m. The Council have agreed a maximum funding contribution of £1.0m to support the borrowing costs for the project. The agreement between the Accountable Body and the Council was signed on 23 February 2021 with the agreements between the Council and the four delivery partners being signed on 2 July 2021.

In addition there are 3 regional projects, Digital Infrastructure, Homes as Power Stations and Skills and Talents. Due to the timing of the grant on these projects there will be a requirement for the Council to borrow. The level of borrowing required is still to be confirmed.

- The Annual Council meeting on 25 May 2017 resulted in the appointment of a new Leader and Cabinet. The Leader was reappointed for a further 2 year term at the annual Council meeting on 11 May 2019 and for a further year at the annual Council meeting on 14 May 2021. The Cabinet issued a Programme for Administration which has influenced the MTFP and budget setting strategies for the Council. An updated version for 2021-22 was adopted by Cabinet on 28 June 2021. The Council implemented flat-line (cash) revenue budgets for Social Services and Individual School Budgets (ISB) from April 2019 and has implemented flat-lined (cash) revenue budgets for all services from April 2020, with services being invited to bid for inflationary pressures and growth.
- £532k of joint venture receipts held by Pembrokeshire County Council, previously earmarked for the development of South Quay, is the subject of ongoing discussions with Welsh Government regarding future development of the site and may need to be repaid.
- Council Tax Reduction Scheme (CTRS) has been shown 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. 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.
- Education through Regional Working (ERW) was an alliance of six local authorities for 2019-20, but reduced to an alliance of five local authorities for 2020-21 and four local authorities for the period April to August 2021. Discussions are ongoing at July 2021, but it is anticipated that ERW will cease on 31 August 2021 and a new partnership of Pembrokeshire, Carmarthenshire and Swansea Councils will commence from 1 September 2021. Pembrokeshire County Council is the employing body for the ERW staff and maintains the ERW finances/accounts (circa £57m for 2020-21), providing financial services, internal audit, ICT, HR and procurement support to ERW via service level agreements. It is anticipated that Pembrokeshire County Council will retain these roles in the new partnership albeit discussions are ongoing.

The main risk areas are set out in the following table:

Issues appertaining to items in the current set of accounts:		
Item	Risk	Potential Affect
Contractual Obligations	Incorrect quantification and legal challenge	Additional charge to taxpayer at future date
Provisions	Quantification incorrect	Additional charge to taxpayer at future date
21 st Century Schools (Band A & Band B)	Incorrect cost assumptions Interest rate increases above LGBI rates (Band A)	Increased contractual costs Increased debt charge resulting in additional charge to taxpayer
Non-Current Assets	Useful Life Valuation Material Uncertainty	Incorrect depreciation charge Incorrect asset valuation
Pension Liability	Actuarial assumptions incorrect	Increased Employer contributions at future date / additional charge to taxpayer at future date
Welfare Reform Act	Assumptions incorrect	Increased service costs including bad debts
Demographic changes	Assumptions incorrect	Increased service & contractual costs
Grant Funding	Loss of grant from Welsh Government & Europe	Reduction in service provision
Governance	Decisions not made or not made in timely manner	Budget over / under spends & loss of grant funding
Contractual Arrangements	Large private sector organisation going into Administration	Delays to service provision and increased cost
Transformation / Alternative Service Delivery	Changed ways of working do not deliver assumed financial savings	Budget over / under spend Separate accounting arrangements
Former Chief Executive settlement agreement payment.	Ongoing review by Audit Wales into the lawfulness of the settlement agreement payment to the former Chief Executive	Qualified audit opinion on the Statement of Accounts
ERW	Cessation of ERW	Cashflow - Pembrokeshire to finance the cessation of ERW prior to being reimbursed by other local authorities Failure to obtain reimbursement for other local authorities who have already left ERW

Issues potentially impacting the accounts in the future:		
Item	Risk	Potential Affect
Wellbeing of Future Generations Act	Act not considered in decision making	Cost of corrective action
Swansea Bay City Region	Additional pressure in MTFP	Budget requirement / overspend
Schools Reorganisation / 21 st Century Schools (Band B)	Unable to provide service within existing budgets Incorrect cost assumptions Construction material shortages and price increases. If MIM is utilised to fund projects incorrect RPI assumption	Budget overspend Increased contractual costs
Housing Rent Policy Changes	Incorrect Business plan assumptions. Breaching HRA income limits.	Additional charge to tenants at future date. Welsh Government Intervention
Brexit	Exchange rate risk. Risk of trade tariffs. Reduced capacity in the social care market from external providers	Increased costs to service Delays to service provision due to shortages in supply of goods and services. Increased cost to service Reduction in service provision
Contractual Arrangements	Large private sector organisation going into Administration.	Delays to service provision and increased cost.
Grant Funding	Loss of grant from Welsh Government & Europe.	Reduction in service provision. Increased costs to service
Covid-19	Economic instability and uncertainty. Welsh Government Covid-19 funding ceases, with additional costs and loss of income remaining.	Increased costs of service provision and loss of income generation Increased bad debt relating to services and Council Tax collection
Fallout from Covid-19	Reduced Welsh Government funding (AEF) and Council Tax increases.	Increased cost reductions/efficiencies across Council services, and service prioritisation in order to ensure a balanced budget.
Cleddau Bridge	£60m compensation over 20 years does not recognise inflationary risk over time £3m annual instalments delayed or grant clawback from Welsh Government	Increased service cost over time Reduced cashflow and budget gap

7.0 CORE FINANCIAL STATEMENTS – COMPONENTS AND DETAIL

The core financial statements, prepared using International Financial Reporting Standards (IFRS), comprise of:

- The Comprehensive Income and Expenditure Statement - showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices (IFRS basis) as opposed to the cost actually funded from taxation. The reconciliation to the taxation position, as represented by the actual funds available to the Council, is shown in the Expenditure and Funding Analysis.
- The Movement in Reserves Statement – showing the movement on the different reserves held by the authority analysed between usable reserves and unusable reserves held for financial accounting purposes.
- The Balance Sheet - which sets out the financial position on 31 March in terms of the value of assets and liabilities recognised by the Council and the reserves held by the Council.
- The Cash Flow Statement - which summarises the inflows and outflows of cash and cash equivalents with third parties arising from revenue and capital transactions.

SUPPORTING NOTES AND SUPPLEMENTARY FINANCIAL STATEMENTS

These comprise of:

- The Expenditure and Funding Analysis.
- Notes to the core financial statements.
- Other accounts prepared or controlled by the Council.
- The Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement and supporting notes that summarise the transactions relating to Council Housing.

GROUP ACCOUNTS

When appropriate, group accounts are to be prepared to reflect the total cost of service provision by including the appropriate expenditure, income and the assets and liabilities of “subsidiary” bodies in which the Council has a material interest and influence.

Since 2014-15, Tenby Pool gross income and expenditure and the fixed asset values have been incorporated into the Council’s Statement of Accounts in accordance with the changes to the Code.

Further details on the Councils joint arrangements are set out within notes 10.7.4.4.

7.1 EXPENDITURE AND FUNDING ANALYSIS

This note shows the reconciliation between how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by Local Authorities as reported to management in the Revenue Outturn report in comparison with those resources consumed or earned by Authorities in accordance with generally accepted accounting practices (IFRS basis). It also shows how this expenditure is allocated for decision making purposes between the Council’s services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).



2019-20				2020-21		
Net Expenditure in Revenue Outturn	Adjustment between the Funding and Accounting Basis (Note 9.1)	Net Expenditure in the CIES		Net Expenditure in Revenue Outturn	Adjustments between the Funding and Accounting Basis (Note 9.1)	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
89,722	25,213	114,935	Education Services	93,099	512	93,611
13,584	1,269	14,853	Childrens Services	15,285	1,083	16,368
53,989	1,880	55,869	Adult Services	57,757	1,593	59,350
861	446	1,307	Housing Services	1,167	657	1,824
-	922	922	Council Housing	-	(43,412)	(43,412)
7,895	5,696	13,591	Highways & Transport Services	8,206	4,507	12,713
5,823	3,585	9,408	Culture & Related Services	5,383	2,947	8,330
1,668	1,795	3,463	Planning Services	1,642	2,046	3,688
13,603	1,802	15,405	Environmental Services	14,707	1,745	16,452
8,836	5,887	14,723	Other Central, Corporate & Democratic Services	10,654	(3,264)	7,390
9,120	-	9,120	Council Tax Reduction Scheme	9,520	-	9,520
317	9	326	Court Services	288	9	297
134	(134)	-	Long Term Empty Properties*	247	(247)	-
1,015	(991)	24	Affordable Housing Scheme*	1,039	(1,015)	24
1,016	(710)	306	Contributions to Community*	1,039	(320)	719
207,583	46,669	254,252	Net Cost of Services (inc HRA) / Deficit on Continuing Operations	220,033	(33,159)	186,874
7,536	15,896	23,432	Other Operating Expenditure	7,903	17,087	24,990
10,045	4,558	14,603	Financing & Investment Income & expenditure	10,364	5,531	15,895
(225,164)	(33,667)	(258,831)	Taxation and non-specific grant income	(238,300)	(55,639)	(293,939)
-	33,456	33,456	Surplus or Deficit	-	(66,180)	(66,180)

* Second Homes Council Tax and Long Term Empty Property Premium shown separately in the Management Accounts but consolidated in the Statement of Accounts tables.

	2019-20	2020-21
	Fund Balance £'000	Fund Balance £'000
Opening General Fund and HRA Balance	(7,752)	(7,752)
less / add Surplus or (Deficit) on General Fund and HRA Balance in Year	-	-
Closing General Fund and HRA Balance at 31 March**	(7,752)	(7,752)

**For a split of this balance between the General Fund and HRA see Note 7.3 Movement in Reserves Statement



7.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the economic 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 in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement below.

The Comprehensive Income and Expenditure Statement can be summarised as follows:

7.2.1 SURPLUS/DEFICIT ON CONTINUING OPERATIONS

Analyses by service groupings, the day to day income and expenditure on such items as employee remuneration, running costs of services, capital charges, service specific grants, rents, fees and charges.

In accordance with the Code requirements, the operating income and expenditure of services include the following. These do not form part of the estimates for tax raising purposes, having no direct in year net cost to the taxpayer, but which are required to measure the underlying economic cost of services in any one year:

- Receipts under £10k arising from the sale of assets. A sum of £15k is included in Corporate and Democratic Core income that has been appropriated to Capital Receipts Reserve in accordance with accounting policies
- Miscellaneous receipts not related to disposal of assets. A sum of £1.174m is included in Corporate and Democratic Core income that has been appropriated to Capital Receipts Reserve in accordance with accounting policies
- The following “notional” costs are also included that are “reversed out” in the Movement in Reserves Statement:
 - revenue expenditure funded from capital under statute and grants
 - depreciation and impairment costs of fixed assets
 - current service pension costs
 - accrued employee benefits

7.2.2 OTHER OPERATING EXPENDITURE & FINANCING & INVESTMENT INCOME

Adds the following to the Surplus/Deficit on Continuing Operations:

- precepts & levies
- agency activities
- interest received on external investments and interest paid on external loans
- the cost of writing down premiums and discounts associated with restructuring the loan portfolio

In addition the Code requires that the following costs, which are not budgeted for either being notional or having no direct in year net cost to the taxpayer, are also added:

- pensions net interest cost
- gains or losses on asset disposals and costs of sales.

7.2.3 TAXATION AND NON-SPECIFIC GRANTS

Shows the income received from general taxation in the form of revenue support and other non-specific grant income, national non-domestic rates and council tax. General capital grant and contributions for capital purposes are recognised as revenue income under the Code.

7.2.4 OTHER COMPREHENSIVE INCOME & EXPENDITURE

Shows the surplus or deficit arising from the revaluation of fixed and financial assets and re-measurement of pension assets and liabilities.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Note	2019-20			2020-21		
		Gross Total Cost £000	Income £000	Net Total Cost/ Expend £000	Gross Total Cost £000	Income £000	Net Total Cost/ Expend £000
Education Services		141,116	(26,181)	114,935	124,553	(30,942)	93,611
Social Care - Childrens Services		20,124	(5,271)	14,853	22,944	(6,576)	16,368
Social Care - Adult Services		83,271	(27,402)	55,869	98,727	(39,377)	59,350
Housing Services		34,397	(33,090)	1,307	32,065	(30,241)	1,824
Council Housing		26,048	(25,126)	922	(17,744)	(25,668)	(43,412)
Highways & Transport Services		26,187	(12,596)	13,591	26,704	(13,991)	12,713
Cultural & Related Services		14,962	(5,554)	9,408	13,164	(4,834)	8,330
Planning Services		8,249	(4,786)	3,463	8,630	(4,942)	3,688
Environmental Services		22,234	(6,829)	15,405	23,431	(6,979)	16,452
Other Central, Corporate & Democratic Services		19,062	(4,339)	14,723	31,368	(23,978)	7,390
Council Tax Reduction Scheme		9,120	-	9,120	9,672	(152)	9,520
Court Services		400	(74)	326	398	(101)	297
Second Home Council Tax		330	-	330	743	-	743
(Surplus)/Deficit on Continuing Operations		405,500	(151,248)	254,252	374,655	(187,781)	186,874
Other Operating Expenditure							
Precepts & Levies	10.2			23,521			25,010
Gains & Losses on Disposal of Non-Current Assets				(89)			(20)
Financing & Investment Income and Expenditure							
Interest Payable				10,984			10,353
Interest & Investment Income				(554)			(247)
Net Pensions Interest	10.4.1			4,173			5,789
Investment Property				-			
Taxation & Non-Specific Grant Income							
Revenue Support Grant (inc Special Grant)	10.1.1			(121,872)			(132,584)
NNDR Pool Share				(40,576)			(39,620)
Local Taxpayers	10.1.3			(75,952)			(80,264)
Second Home Premium	10.1.3			(2,580)			(2,625)
Long Term Empty Properties				(170)			(312)
General Capital Grants & Contributions	10.1.5			(17,681)			(38,534)
(Surplus) or Deficit on Provision of Services				33,456			(66,180)
Other Comprehensive Income & Expenditure							
(Surplus)/Deficit on revaluation of non-current assets	12.13.2			(1,028)			(31,646)
Remeasurements of Pensions Liabilities & Assets	12.13.6			51,571			(5,040)
Total Other Comprehensive Income & Expenditure				50,543			(36,686)
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				83,999			(102,866)



7.2.5 EXCEPTIONAL ITEMS

There were no exceptional items of income or expenditure in 2020-21.

7.3 MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Council, analysed between usable (those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The unusable reserves include reserves that hold unrealised gains and losses that are only realised when assets are sold and reserves that hold accounting differences needed to reconcile the differences between reporting on the IFRS accounting basis and the statutory funding basis.

The (Surplus)/Deficit on the provision of services reflects the economic cost of providing the Council's services, more details of which are provided in the Comprehensive Income and Expenditure Statement. This is different from the "taxation position" (amounts determined when setting council tax and housing rents) charged to the General Fund Balance and Housing Revenue Account which is shown by the Net Increase/Decrease before Transfers to Earmarked Reserves line.

Actuals 2020-21	General Fund Working Balance £000	Earm'd General Fund Reserves £000	HRA Working Balance £000	Earm'd HRA Reserves £000	Capital Receipts & Grants Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance 1 April 2020	(7,000)	(38,746)	(752)	(5,597)	(11,984)	(64,079)	(235,022)	(299,101)
(Surplus) / Deficit On Provision of Services	(20,672)	-	(45,508)	-	-	(66,180)	-	(66,180)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(36,686)	(36,686)
Total Comprehensive Income & Expenditure (see 7.2.4)	(20,672)	-	(45,508)	-	-	(66,180)	(36,686)	(102,866)
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see 11.1)	4,100	-	39,974	-	117	44,191	(44,191)	-
Net (Increase) & Decrease Before Transfers (To) / From Reserves	(16,572)	-	(5,534)	-	117	(21,989)	(80,877)	(102,866)
Transfers (To)/ From Reserves	16,572	(16,894)	5,534	(5,024)	-	188	(188)	-
(Increase) / Decrease In Year	-	(16,894)	-	(5,024)	117	(21,801)	(81,065)	(102,866)
Balance 31 March 2021 (see 11.2.1 & 11.2.2)	(7,000)	(55,640)	(752)	(10,621)	(11,867)	(85,880)	(316,087)	(401,967)



Actuals 2019-20	General Fund Working Balance £000	Earm'd General Fund Reserves £000	HRA Working Balance £000	Earm'd HRA Reserves £000	Capital Receipts & Grants Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance 1 April 2019	(7,000)	(39,435)	(752)	(4,460)	(10,896)	(62,543)	(320,450)	(382,993)
In Year Opening Balance Adjustments						-	(107)	(107)
Restated Balance	(7,000)	(39,435)	(752)	(4,460)	(10,896)	(62,543)	(320,557)	(383,100)
(Surplus) / Deficit On Provision of Services	33,663	-	(207)	-	-	33,456	-	33,456
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	50,543	50,543
Total Comprehensive Income & Expenditure (see 7.2.4)*	33,663	-	(207)	-	-	33,456	50,543	83,999
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see 11.1)	(32,773)	-	(1,265)	-	(1,088)	(35,126)	35,126	-
Net (Increase) & Decrease Before Transfers (To) / From Reserves	890	-	(1,472)	-	(1,088)	(1,670)	85,669	83,999
Transfers (To)/ From Reserves	(890)	689	1,472	(1,137)	-	134	(134)	-
(Increase) / Decrease In Year*	-	689	-	(1,137)	(1,088)	(1,536)	85,535	83,999
Balance 31 March 2020 (see 11.2.1 & 11.2.2)*	(7,000)	(38,746)	(752)	(5,597)	(11,984)	(64,079)	(235,022)	(299,101)

* Restated FIAA opening balance adjustment re SALIX



7.4 BALANCE SHEET

This Statement shows the value at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by:

- Usable reserves comprising of the working balances and earmarked reserves.
- Unusable reserves comprising of reserves holding unrealised gains and losses, where amounts would only become available to provide services if assets are sold; and reserves facilitating the adjustments required between accounting basis used to prepare the Statement of Accounts and the statutory funding basis under regulation used to set council tax and housing rents

BALANCE SHEET AS AT 31 MARCH	Note	2019-20		2020-21	
		£000	£000	£000	£000
NON-CURRENT ASSETS:					
Property, Plant & Equipment	12				
Council Housing Property	12.1.1.3	198,109		244,844	
Other Land & Buildings	12.1.1.3	376,417		408,632	
Infrastructure	12.1.1.3	121,500		125,406	
Vehicles/Plant/Equipment	12.1.1.3	14,929		16,838	
Heritage Assets	12.1.1.6	528		528	
Community Assets	12.1.1.3	578		577	
Assets Under Construction	12.1.1.3	5,713		10,672	
Surplus Assets		2,750		2,248	
Fixed Assets			720,524		809,745
Intangible Assets	12.1.3		214		39
Long Term Debtors	12.6.1		4,852		5,004
TOTAL LONG TERM ASSETS			725,590		814,788
CURRENT ASSETS:					
Short Term Investments	12.5	39,238		49,049	
Inventories & Works in Progress	12.4	1,518		1,426	
Short-term Debtors and Prepayments	12.6.1	39,932		66,136	
Cash & Cash Equivalents	12.7	457		7,124	
Assets Held For Sale	12.8	-		350	
Total Current Assets			81,145		124,085
TOTAL ASSETS			806,735		938,873
CURRENT LIABILITIES:					
Other Short-term Borrowing	12.6.2	(9,686)		(2,771)	
Short-term Creditors	12.6.2	(23,325)		(38,776)	
Revenue Grants Receipts in Advance	12.6.3	(895)		(3,269)	
Capital Grants Receipts in Advance	12.6.3	(7,900)		(13,572)	
Provisions	12.9.1	(1,984)		(2,446)	
Total Current Liabilities			(43,790)		(60,834)
TOTAL ASSETS LESS CURRENT LIABILITIES			762,945		878,039
Long Term Borrowing	12.10.1	(205,012)		(203,595)	
Deferred Liabilities	12.11	(7,594)		(7,413)	
Net Pension Fund Liability	12.13.6	(251,238)		(265,064)	
TOTAL LONG TERM LIABILITIES			(463,844)		(476,072)
NET ASSETS			299,101		401,967
Usable Reserves					
- General Fund Working Balance	11.2.1		7,000		7,000
- HRA Working balance	11.2.1		752		752
- Earmarked Reserves and Capital Receipts	11.2.1 & 11.2.2		56,327		78,128
Unusable Reserves	12.13		235,022		316,087
TOTAL RESERVES			299,101		401,967



7.5 CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period, showing how the Council generates and uses cash and cash equivalents by classifying cash flows into operating, investing and financing activities.

The amount of net cash flows arising from net operating activities is a key indicator of the extent to which operations 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 flows have arisen from resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

The notes to the Cash Flow are detailed below:

Movement In Cash Balances	As At 31 March		Movement In Year £000
	2020 £000	2021 £000	
Cash At Bank/(Overdrawn)	-	-	-
Cash Equivalent	2,420	9,032	6,612
Cash At Bank / In Hand	(1,963)	(1,908)	55
	457	7,124	6,667

The cash flows for operating activities include the following items:	2019-20	2020-21
	£000	£000
Interest Paid	12,135	10,525
Interest Received	(534)	(253)

CASH FLOW STATEMENT	2019-20		2020-21	
	£000	£000	£000	£000
Reconciliation of Comprehensive Income and Expenditure Statement to Net Revenue Cash Flow				
Net (Surplus)/Deficit on the provision of services		33,456		(66,180)
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation	(21,254)		(21,097)	
Impairment & downward valuations	(24,797)		32,822	
Pension fund adjustments	(21,713)		(18,866)	
Other non cash financial instrument adjustments	(13)		(1)	
Contributions to provisions	(236)		(462)	
Carrying amount of non-current assets sold	(3,519)		(1,320)	
Movements in revenue debtors, creditors, stocks etc.	13,589		(2,783)	
		(57,943)		(11,707)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Proceeds from sale of property, plant and equipment, investment property and intangible assets	3,684		1,404	
Capital Grants	17,681		38,534	
		21,365		39,938
Net Cash Flow from Operating Activities		(3,122)		(37,949)
INVESTING ACTIVITIES				
Purchase of property, plant & equipment, investment property & intangible assets	38,857		45,847	
Purchase of short term & long term investments	368,308		554,677	
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(3,684)		(1,404)	
Proceeds from short term & long term investments	(372,725)		(544,870)	
Capital grants received	(13,706)		(31,473)	
Net Cash Flow From Investing Activities		17,050		22,807
FINANCING ACTIVITIES				
Cash receipts of short-term & long-term borrowing	(10,000)		(295)	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	301		315	
Repayments of short-term & long-term borrowing	2,049		8,455	
Net cash flow from financing activities		(7,650)		8,475
NET (INCREASE)/DECREASE IN CASH & CASH EQUIVALENTS		6,278		(6,667)
Cash & cash equivalents at the beginning of reporting period	(6,735)		(457)	
Cash & cash equivalents at the end of reporting period	457		7,124	
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		(6,278)		6,667



8.0 ACCOUNTING POLICIES

The accounting policies used to prepare the Core Accounting Statements and the following Supporting Notes and Supplementary Financial Statements have been reviewed using the 2020-21 Code of Practice on Local Authority Accounting.

8.1 GENERAL PRINCIPLES

The objective of the accounting policies adopted shall be to ensure that the Statement of Accounts provides a “true and fair” view of the financial position of the Council.

The accounts shall be prepared in accordance with the latest Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (the Code) and adhere to the relevant Financial Reporting Standards and Practices, unless otherwise stated.

Figures shall be included in the Financial Statements using the cost convention specified by the appropriate accounting standard.

The accounting policies shall be revised as required from those of the previous year to reflect changes in reporting requirement with any such changes being disclosed.

8.2 INCOME AND EXPENDITURE ACCRUALS

8.2.1 EMPLOYEE COSTS

Salaries and wages shall be charged against the periods to which they relate and if necessary estimated accruals made using previous pay periods as a basis. An adjustment shall be made in the Comprehensive Income & Expenditure Account to take account of accrued leave entitlement.

8.2.2 SUPPLIES AND SERVICES ETC.

The Council operates a system of accruals and converted payments. Creditors will be accrued by the end of a predetermined period of the following year and by the inclusion of estimates for significant items remaining outstanding at this time based on quotations or past costs. An exception to this principle relates to electricity and similar periodic payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy shall be consistently applied each year and therefore does not have a material effect on any year's accounts.

8.2.3 SUPPORT SERVICES

The following bases shall generally be used for charging costs to service revenue accounts:

- Costs of support services shall be charged to services on the basis of estimated time spent or most appropriate basis.
- Costs associated with office accommodation shall be allocated on the basis of occupation.
- Other costs shall be allocated on the basis of gross current expenditure if there is no more objective basis available.
- The cost allocations to services shall only be reviewed when there has been a significant restructuring of service provision.



8.2.4 PRECEPTS AND LEVIES

All precepts and levies shall form part of the Council's Surplus/Deficit on the Provision of Services and reported in the Comprehensive Income and Expenditure Statement.

8.2.5 INCOME

All income due to the Council shall be accounted for at the due date and recognised at fair value. Council Tax Income shall be brought into account on the basis of entries in the Valuation List.

The Authority's share of National Non-Domestic Rates (NNDR) Pool reported in the Comprehensive Income and Expenditure Statement is that notified by the Welsh Government. The amount of NNDR collected on behalf of the Welsh Government shall not form part of the Council's income and associated debtors and creditors on the Balance Sheet. All associated entries are consolidated into an NNDR pool account.

8.2.6 INTEREST PAYABLE

Interest on borrowing shall be accrued and accounted for in the Comprehensive Income and Expenditure Statement in the appropriate year when the economic effect is reflected in the accounts except to the extent that it is capitalised under accounting policy 8.16.

Any effective interest rate adjustment made in respect of market loans (see accounting policy 8.10.2) shall be charged to the Comprehensive Income and Expenditure Statement, but not being a proper charge to the Council Fund shall be reversed in the Movement in Reserves Statement to the Financial Instrument Adjustment Account.

8.2.7 INTEREST RECEIVABLE

The following principles shall apply to interest receivable:

Interest received on surplus funds invested externally shall be credited to the Comprehensive Income and Expenditure Statement from where appropriations shall be made to:

- Housing Revenue Account in accordance with the rate prescribed in regulation.
- Schools Delegated Fund balances in accordance with the Council's Scheme for the Local Management of Schools
- Earmarked reserves if it is deemed appropriate.

8.2.8 GENERAL DEBTORS

Debtors shall be recognised in the Balance Sheet and measured at fair value of the amount receivable when revenue has been recognised. In the majority of cases fair value will equate to the cash value but in the case of long term debtors the value shall be discounted by the appropriate rate to reflect fair value. The adjustment shall be made in the Comprehensive Income and Expenditure Statement but not being a proper charge to the Council Fund shall be reversed in the Movement in Reserves Statement to the Financial Instrument Adjustment Account.

Where revenue has been recognised but cash has not been received, a debtor 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.

Grant income agreed in principle will not be accrued until grant acceptance has been approved.



8.2.9 GENERAL CREDITORS

Creditors shall be recognised in the Balance Sheet and measured at fair value of the amount payable when goods have been delivered or services rendered. In the majority of cases fair value will equate to the cash value but in the case of long term creditors the value shall be discounted by the appropriate rate to reflect fair value. The adjustment shall be made in the Comprehensive Income and Expenditure Statement but not being a proper charge to the Council Fund shall be reversed in the Movement in Reserves Statement to the Financial Instrument Adjustment Account.

8.3 ACQUIRED & DISCONTINUED OPERATIONS

Income & expenditure in relation to material acquired and discontinued operations shall be shown separately on the face of the Comprehensive Income and Expenditure Statement. Any liabilities shall be identified in notes to the Balance Sheet.

8.4 CASH & CASH EQUIVALENTS

Represented by funds that are held to meet short-term cash commitments, rather than invested for other purposes, and that are readily convertible to known amounts of cash. The amount of cash and cash equivalents so defined shall be determined by reference to the daily cash flow forecasts.

8.5 GOING CONCERN, EXCEPTIONAL, EXTRAORDINARY ITEMS, PRIOR YEAR ADJUSTMENTS

The Financial Statements shall be prepared on a going concern basis unless there is an intention by government that the services will no longer be provided.

Extraordinary items – No items of income or expenditure will be treated as extraordinary. All items will therefore be accommodated within one of the specified lines of the Surplus or Deficit on the Provision of Services or the Other Comprehensive Income and Expenditure.

Exceptional Items – where items of income and expenditure are material, their nature and amount will be disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts

Unless otherwise sanctioned by the Code, material prior period adjustments shall result in a restatement of prior year figures and disclosure of the effect.

8.6 EVENTS AFTER THE REPORTING PERIOD

Material events occurring after the end of the reporting period shall, if applicable at the Balance Sheet date, amend the Statement of Accounts. Other events will be disclosed with an estimate of the likely financial effect. If amended after being issued prior to the conclusion of audit the Responsible Financial Officer shall re-certify the revised Statement of Accounts as replacing that previously issued. Materiality shall be defined as the amount estimated by the Audit Wales in any one year, being 1% of gross expenditure and items considered to be sensitive by their nature.

8.7 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

8.7.1 GAINS ON REVALUATION

For the purposes of calculating gains and losses the current value of individual assets at the 31 March 2007 shall equal the historic cost. In the majority of cases gains on revaluation shall be credited to the Revaluation Reserve except where a previous impairment has been charged to the Comprehensive Income and Expenditure Statement. In these circumstances the gain shall be



credited to the Comprehensive Income and Expenditure Statement and applied to the balance of the related loss recorded in the Capital Adjustment Account. Any remaining unapplied gain shall be credited to the Revaluation Reserve.

8.7.2 REVALUATION LOSSES AND IMPAIRMENT

Assets are assessed annually for indications of impairment and if there are indications, and the difference in carrying value is material, an impairment loss is recognised (in line with paragraph below).

Losses arising from revaluations and impairments that cannot be absorbed by accumulated revaluation gains are charged to services. Not being a proper charge to the Council Fund this shall be reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

8.7.3 DEPRECIATION

With the exception of Investment Properties and Heritage Assets which have indefinite lives, and Assets Under Construction which are not in operational use, depreciation shall be provided for on all non-current assets with a finite useful life and, where material, separate components of the asset shall be identified for depreciation purposes.

The net discounted value of Council Housing shall be apportioned between land and buildings before depreciation is calculated.

The straight-line method shall be used to estimate depreciation which shall be charged from the date when the asset becomes available for use to the appropriate service in the Comprehensive Income and Expenditure Statement. Not being a proper charge to the Council Fund this shall be reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

8.8 EMPLOYEE COSTS & BENEFITS

8.8.1 BENEFITS DURING EMPLOYMENT

Normal remuneration costs shall be charged as an expense in the period to which they relate.

A year end accrual shall be made in the Comprehensive Income and Expenditure Statement of any material costs arising from holiday entitlement not taken. However, not being a charge for taxation purposes shall be reversed out in the Movement in Reserves Statement.

8.8.2 TERMINATION BENEFITS

Termination benefits shall be charged in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of employment.

8.8.3 PENSION COSTS

8.8.3.1 DYFED PENSION FUND

The accounting policies applying to the Fund shall be determined by the Administering Authority, Carmarthenshire County Council, who keep the accounts of the Fund and arrange for actuarial information to be provided to participating Authorities.

Pembrokeshire County Council, as an employing Authority, shall include the current service costs of pensions as calculated by the Fund's actuary in the cost of services in accordance with the requirements of Financial Reporting Standard IAS19 as this is accounted for as defined benefit scheme.

These charges shall be reversed out in the Movement in Reserves Statement and the actual contributions paid to the Fund included to ensure that the correct cost is charged to the council taxpayer. Pension costs shall be included within the Housing Revenue Account as far as can be reliably determined to reflect the requirements of IAS19.

Assets and liabilities pertaining to the Council shall be disclosed on the Balance Sheet.

8.8.3.2 TEACHERS' PENSIONS SCHEME

In the case of teachers, pensions are "unfunded" and are met from annual contributions, therefore no liability for future benefits shall be recognised in the Council's Balance Sheet. The scheme is accounted for as a defined contribution scheme and the Council's contributions payable are charged to the Consolidated Income and Expenditure Statement.

8.9 STOCKS AND WORKS IN PROGRESS

Stocks held in the Council's stores shall be valued at the lower of cost and net realisable value. Works in progress, where the Council is the contractor, shall be valued at fair value of the contract sum receivable.

8.10 FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Authority adopted IFRS 9 Financial Instruments with effect from 1 April 2018. There are 3 key changes:

- **Re-measurement of modified loans**

The Council amortise the cost of premium and discounts associated with debt rescheduling using the statutory override with any unamortised sums shown in the statutory override account (FIAA). This treatment has been reviewed as part of the adoption of IFRS 9. The Council have used proper accounting treatment and as a result there is no need to change treatment on transition to IFRS 9 Financial Instruments.

- **Impairment of Financial Assets**

Impairment losses are calculated to reflect the expectation that cashflows might not take place because the borrower could default on their obligations. This is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

The Authority has adopted a simple approach to impairment in accordance with The Code and measures the loss for Trade Debtors at an amount equal to expected lifetime loss using a provision based on a combination of age of debt and historic collection rates. This method ensures early recognition of the impairment of financial asset.

Loans to Third Party have been carefully reviewed under the new expected credit loss model to ensure any credit loss is recognised early. Considering historic, current and forward looking information there is no requirement to recognise any credit loss.

There has been no change as a result of the implementation of IFRS 9.

- **Classification of Financial Instruments**

The classification of Financial Assets are now determined by both their characteristics and the business model under which they were acquired.

There are 3 Models:

a) Amortised Cost

The financial asset is held within a business model whose objective is to hold financial assets in order “to collect contractual cash flows”. Cash flows are solely payments of principal and interest.

b) Fair Value Through Other Comprehensive Income

The financial asset is held within a business model whose objective is achieved by both “collecting contractual cash flows and selling financial assets”

c) Fair Value Through Profit and Loss

All other combinations of business model and contractual cash flows.

Financial Instruments	Amortised Cost	Fair Value (CI)	Fair Value (P&L)
Financial Assets			
Short Term Investments	✓		
Bank Call/Cash Equivalent	✓		
Debtors			✓
Financial Liabilities			
Short Term Borrowing	✓		
Long Term Borrowing	✓		

After review there is no need to change treatment on transition to IFRS 9.

8.10.1 FINANCIAL LIABILITIES

8.10.1.1 RECOGNITION & MEASUREMENT

Borrowing shall be recognised when the cash is received from the lender and shall be measured initially at fair value, being the estimated cost of redeeming the debt.

The Council's debt portfolio shall generally be classified and reported in the Balance Sheet as a financial liability held at amortised cost. In practice this means that the debt the Council has raised from the Public Works Loans Board shall be reported as the principal repayable plus the accrued interest at the Balance Sheet date. For market loans the amortised value shall be estimated by adjusting their maturity value to take account of accrued interest plus an adjustment (effective interest rate adjustment) to smooth out the effect of any stepped interest or premium payments due over the life of the loans. The adjustment shall be made via the Comprehensive Income and Expenditure Statement, not being funded from revenue resources the amount shall be reversed in the Movement in Reserves Statement to the Financial Instrument Adjustment Account.

In the case of Lender Option Borrower Option (LOBO) loans it shall be assumed the loan will run for its full contractual period when calculating the adjustment, unless notification has been received from the lender that the loan will be recalled at an earlier date.

The debt portfolio, measured at fair value, shall be reported in a note to the Balance Sheet showing the movements in the year.

Any interest free loans or loans taken out at below market rates shall be reported in accordance with the accounting policy 8.10.2.



8.10.1.2 DERECOGNITION, EARLY REDEMPTION GAINS AND LOSSES

Where a loan is redeemed and or replaced / substantially modified, the liability shall be treated as extinguished and the loan removed from the Balance Sheet. Any gains and losses on the repayment or early settlement of borrowing shall be credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement.

However, regulations allow the impact on the Council Fund Balance to be spread over future years. The gain/loss shall be spread over the periods specified in the regulations. The reconciliation of amounts charged to Comprehensive Income and Expenditure Statement to the net charge required by regulation against the Council Fund Balance shall be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where repayment has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments that is not substantial, the premium or discount shall be respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement shall be spread over the life of the modified loan by an adjustment to the effective interest rate.

Substantially modified shall be defined as where the present value of the net cash flow (including premiums and discounts) of the new arrangement is at least 10% different from the discounted present value of the remaining cash flows under the original arrangement.

Appropriate adjustments arising from debt redemption shall be made in the Housing Revenue Account Statements in accordance with the relevant statutory determination.

8.10.2 SOFT LOANS

8.10.2.1 ADVANCES

Where the Council advances loans that are interest free or at below market rates, the loan shall be recorded initially at fair value in the accounts by discounting the future cash receipts using a prevailing market rate and charging the difference between the cash advanced and its market value (interest loss) to the Comprehensive Income and Expenditure Statement.

The market interest due in each year shall be calculated on the discounted balance using the market rate and credited to the Comprehensive Income and Expenditure Statement.

Both the interest gain and the market interest, or difference between market and contractual interest, not being proper charges to the Council Fund shall be reversed in the Movement in Reserves Statement to the Financial Instrument Adjustment Account.

8.10.2.2 BORROWING

Where the Council borrows money at nil interest or at below market rates, the loan shall be recorded initially at fair value in the accounts by discounting the future cash repayments using a prevailing market rate and crediting the difference between the loan and its market value (interest gain) to the Comprehensive Income and Expenditure Statement.

The market interest due shall be calculated each year on the outstanding discounted balance using the market rate and charged to the Comprehensive Income and Expenditure Statement.

Both the discount and the market interest, or difference between market and contractual interest, not being proper charges to the Council Fund shall be reversed in the Movement in Reserves Statement to the Financial Instrument Adjustment Account.



8.10.3 INVESTMENTS

8.10.3.1 RECOGNITION & MEASUREMENT

An investment shall be recognised when the counterparty with whom the cash is to be placed is contractually entitled to the asset and shall be measured initially at fair value, being the estimate of the amount receivable if the investment was realised. The investment portfolio, measured at fair value, shall be reported in a note to the Balance Sheet showing the movements in the year.

The Council's investment portfolio shall generally be classified as loans and receivables valued at amortised cost. In practice this means that the investments the Council has with its approved counterparties shall be reported at amortised value by adjusting the principal sums invested to allow for the equalisation of the return over the life of the investment. The adjustment shall be made via the Movement in Reserves Statement to the Financial Instrument Adjustment Account.

Any available for sale investments shall be reported at fair value in accordance with IFRS13.

8.10.3.2 DERECOGNITION, GAINS AND LOSSES

Where an investment is realised the asset shall be removed from the Balance Sheet. The Council's approved types of investment do not allow for any market gain or loss. In the unlikely event of loss arising from failure of a counterparty, provision shall be made in the Comprehensive Income and Expenditure Statement as allowed for by regulation.

8.10.4 BASIS OF CHARGES MADE FOR REPAYING DEBT

The Comprehensive Income and Expenditure Statements for the Council Fund and HRA shall be charged with the minimum amount (MRP) judged to be prudent in accordance with statutory guidance and as set out in the Annual Minimum Revenue Provision Policy approved by Council.

Year	Additional Voluntary MRP £'000	Cumulative Additional Voluntary MRP £'000
2019-20	1,633	1,633
2020-21	-	1,633

8.10.5 FINANCIAL LOAN GUARANTEE CONTRACTS

8.10.5.1 RECOGNITION

Guarantees relating the ability of another party to repay a debt shall be recognised at fair value by charging the Comprehensive Income and Expenditure Statement and establishing a Financial Liability Reserve.

8.10.5.2 MEASUREMENT

If no premium is charged to the party seeking the guarantee, the amount shall be estimated by considering the probability of the guarantee being called. Any amount guaranteed is reassessed and/or amortised every year to reflect changing circumstances.

8.11 DEFERRED LIABILITIES

Liabilities which by arrangement are payable at some future date by an annual sum over a period of time shall be shown separately and classified as long-term liabilities in the Balance Sheet.



8.12 FOREIGN CURRENCY TRANSLATION

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

8.13 GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

8.13.1 GENERAL

Government grants and other contributions shall be accounted for on an accruals basis and when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

8.13.2 REVENUE GRANTS AND CONTRIBUTIONS

Where a revenue grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, the grant or contribution shall be recognised as a receipt in advance. When the grant conditions are met it shall be recognised in Comprehensive Income and Expenditure Statement as income and be matched in the service revenue accounts with the expenditure to which it relates.

General grants and contributions, e.g. Revenue Support Grant, NNDR redistribution shall be disclosed as one or more items on the face of the Comprehensive Income and Expenditure Statement.

8.13.3 GRANTS AND CONTRIBUTIONS FOR CAPITAL PURPOSES

Where a capital grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date the grant or contribution shall be recognised as part of the Capital Grants Receipts in Advance. When the conditions have been met, the grant or contribution will be transferred from the Capital Grants Receipts in Advance and recognised as income in the Comprehensive Income and Expenditure Statement as non-specific grant income.

Grants and contributions funding capital expenditure and Donated Assets that have been credited to the Comprehensive Income and Expenditure Statement are not proper income to the General Fund or Housing Revenue Account and shall account for these amounts as follows:

- If the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution shall be transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer shall be reported in the Movement in Reserves Statement.
- Where the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Account (within the usable reserves section of the Balance Sheet), reflecting its status as a capital resource available to finance expenditure. This transfer shall be reported in the Movement in Reserves Statement. At a future date, when the expenditure is incurred, the grant or contribution (or part thereof) shall be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital



resources to finance expenditure. This transfer shall be reported in the Movement in Reserves Statement.

8.13.4 REPAYMENT

In the event of repayment this shall first be applied to any receipt or contribution received in advance. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense. The repayment of a capital grant shall be transferred from the Council Fund (or Housing Revenue Account) to the Capital Adjustment Account. This transfer shall be reported in the Movement in Reserves Statement.

8.14 NON-CURRENT ASSETS

8.14.1 RECOGNITION

All expenditure on the acquisition, creation or enhancements of non-current assets shall be capitalised in the accounts provided that the non-current asset will yield future economic benefits to the Authority and the services it provides endures for a period of more than one year and can be reliably measured. These costs shall include subsequent expenditure that enhances, replaces (part or whole) or services the asset.

The cost of day to day non-structural repairs and maintenance works associated with operating the fixed assets shall be charged directly to service revenue accounts.

The land and buildings components of non-current assets shall be accounted for separately. Assets shall be recognised on a component basis where:

- An individual component is material to the cost and/or operation of that asset and
- That component has an estimated useful life that is materially different to that of the other component parts of the asset.

Where components are replaced or restored, the existing carrying amounts in the Balance Sheet shall be derecognised before the new component is recognised.

8.14.2 CLASSIFICATION

Property, Plant and Equipment covers all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Investment Property held solely to earn rentals or for capital appreciation purposes or both, shall be classified as Investment Property.

Heritage Assets held and maintained principally for its contribution to knowledge and culture, preserved in trust for future generations.

Donated Assets shall be included in the appropriate asset category according to use.

8.14.3 INITIAL VALUATION

Non-current Asset Values shall be recognised initially at cost recognising all expenditure on an accruals basis that is directly attributable to bringing the asset into its intended use (normally RIBA stage 3 onwards).

Donated Assets or Assets Exchanged for Non-monetary Consideration. Where no conditions relating to the asset remain to be fulfilled, the fair value of the asset shall be recognised in the



Balance Sheet and in the Comprehensive Income and Expenditure Statement. The latter being transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Where conditions attach to a donated asset the asset shall be recognised in the Balance Sheet and in the Donated Assets Account until such time as the conditions are fulfilled.

Heritage Assets shall be valued at cost or value, obtained by an appropriate method, if available.

8.14.4 SUBSEQUENT VALUATION

Measurement after recognition shall be on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS):

- Property shall be included in the Balance Sheet at current value defined as the lower of net realisable value in its existing use or, in the absence of an active market, because of the specialised nature of the asset, depreciated replacement cost.
- Plant and Equipment shall be carried at historic cost as a proxy for current value.
- Council Housing shall be included in the Balance Sheet at current value for the existing use of social housing which shall be derived by discounting the market value by a factor reflecting the difference between commercial and social rents.
- Surplus assets shall be included in the Balance sheet at fair value, defined as the amount that would be paid for the asset in its highest and best use less cost of sale in line with IFRS13 requirements.
- Infrastructure, community assets, and assets under construction for operational use, shall be included in the Balance Sheet at historical cost net of depreciation where appropriate.
- Any assets acquired for non-cash consideration shall be included in the Balance Sheet at current value.
- Heritage Assets shall be generally be valued at historic cost or by using their insurance value as a proxy for current value.
- Revaluation shall not occur at the point of disposal.

Valuation shall be undertaken within a 5-year period on a rolling basis with changes to values being made in the year they arise, the effective date being 31 March. Material changes in the pattern of economic consumption occurring to any major asset or asset group in any one year shall be recognised in that year.

The assets shall be valued by the Council's appointed valuer, Mrs H McLeod-Baikie, who is suitably qualified.

8.14.5 ASSET LIVES

The remaining useful asset lives, estimated on a component basis if deemed appropriate, shall reflect the period of an assets remaining expected use to the Authority and shall be determined taking into account the expected use, physical wear and tear, age, obsolescence, type of construction, condition, repair and enhancement, and legal or similar limits on the use of an asset (e.g. expiry of leases).

Estimates of remaining useful lives shall be made annually, if deemed appropriate, and each time the asset is revalued.



8.14.6 DE MINIMIS EXPENDITURE

Expenditure greater than £10,000 or expenditure on assets with a useful life exceeding 12 months shall be capitalised.

8.15 INTANGIBLE ASSETS

Generally expenditure on externally purchased intangibles and internally developed intangible assets shall be charged in the year in which it is incurred to the relevant service heading in the Comprehensive Income and Expenditure Statement. However, if in the case of internally developed assets there is evidence that a ready market exists, and in both instances an estimated finite useful life can be ascertained, the asset shall be reported at current value and may be written out over a period consistent with the consumption of economic benefits; the appropriateness of the period of amortisation shall be reviewed each year.

8.15.1 RESEARCH & DEVELOPMENT

Expenditure on research and development shall be regarded as part of continuing operations and normally written off as incurred.

8.16 CAPITALISATION OF BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction and commissioning of an asset taking over 12 months to be ready for its intended use may be capitalised. Other than borrowing specifically earmarked for a project, the relevant borrowing costs shall be ascertained by calculating a capitalisation rate, being the weighted average of the associated borrowing costs that are outstanding for the period in question.

Any borrowing costs that are capitalised in respect of any year shall be separately disclosed.

8.17 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Payments that under legislation are funded from capital resources but where no fixed assets are created shall be charged to the appropriate service in the Comprehensive Income and Expenditure Statement. Not being funded from revenue resources the amount shall be reversed in the Movement in Reserves Statement with an equal amount charged to the Capital Adjustment Account.

8.18 ASSETS HELD FOR SALE

Assets which meet all the following criteria shall be shown as current assets in the Balance Sheet:

- The asset (or disposal group) is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale is highly probable; the appropriate level of management being committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan has been initiated.
- The asset (or disposal group) is being actively marketed for a sale at a price that is reasonable in relation to its fair value.
- The sale is expected to qualify for recognition as a completed sale within one year of the date of classification and the action required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.



If the above criteria are not met the asset shall continue to be accounted for in the appropriate non-current asset category.

8.19 ASSET DISPOSALS

Disposal proceeds and the carrying value shall be recorded in Comprehensive Income and Expenditure Statement, but not being a proper charge to the Council Fund shall be reversed to the Capital Receipts Reserve and the Capital Adjustment Account respectively. Any balance on the Revaluation Reserve in respect of the asset disposed of shall be written off directly to the Capital Adjustment Account.

In the case of Donated Assets any balance on the Donated Assets Account shall be recognised as a deficit or surplus in the Comprehensive Income and Expenditure Statement as Other Operating Expenditure. Not being funded from revenue resources or revenue income the amount shall be reversed in the Movement in Reserves Statement with an equal amount charged to the Capital Adjustment Account.

The receipts from the disposal of Council Housing assets shall be set aside as a provision for HRA debt repayment in the Capital Adjustment Account. Monies received from the sale of council houses shall only be applied for Housing Revenue Account functions.

Interest earned on the investment of capital receipts in hand shall be credited to the Council Fund.

Receipts under £10,000 and miscellaneous receipts not related to disposal of assets cannot be treated as capital items and shall be credited to the Comprehensive Income and Expenditure Statement and appropriated to the Capital Receipts Reserve in the Movement in Reserves Statement.

8.20 LEASES AND LEASE-TYPE ARRANGEMENTS

8.20.1 RECOGNITION AND CLASSIFICATION

Leases and similar financial arrangements shall be classified as either finance leases or operating leases. Finance leases are defined as arrangements whereby all risks and rewards incidental to ownership transfer substantially to the lessee but title may or may not eventually transfer. Operating leases shall be defined as all other lease type arrangements.

In considering property leases, land and buildings shall be considered separately for classification purposes, with land with an infinite life generally being recognised as an operating lease.

8.20.2 ACQUISITIONS (COUNCIL AS LESSEE)

Finance Leases - shall be recorded in the Balance Sheet as assets and equal liabilities in the appropriate category at fair value of the property or, if lower, the present value of the minimum lease payments – the discount rate applied being that implicit in the lease. Subsequently assets are subject to revaluation and depreciation in accordance with Accounting Policy 8.14.

The outstanding capital obligation shall be reduced by the capital element of the rental charge. An amount equal to the annual capital repayment shall be included in the minimum revenue provision set aside from revenue account each year.

The finance charge shall be charged to the service revenue account on a constant basis over the term of the lease.

Operating Leases - the whole of the rental payable under operating leases shall be charged to the appropriate service revenue account on a straight line basis over the term of the lease.



8.20.3 DISPOSALS (COUNCIL AS LESSOR)

Finance Leases – assets disposed under finance leases shall be written out of the Balance Sheet and an amount recognised in the Balance Sheet as a receivable debtors that reflects the net investment in the lease as defined by the appropriate accounting standard.

The capital element of any rental due under a finance lease shall be accounted for as a capital receipt, the debtor and the equivalent liability being written down by that amount. The finance element shall be treated as revenue income.

Operating Leases – assets rented out under operating leases shall be shown in the appropriate Balance Sheet category and depreciated in accordance with normal accounting policy.

Income due under operating leases shall be treated as revenue income and recognised on a straight line basis over the term of the lease.

8.20.4 SALE AND LEASEBACK ARRANGEMENTS

If an asset is sold and leased back the following policy shall apply:

- If the leaseback arrangement is classified as a finance lease, the transaction cannot be regarded as a true disposal, and any excess of sale proceeds over the carrying amount of the asset shall be amortised over the lease term on the basis that the lessor is providing finance to the Council.
- If the leaseback arrangement is classified as an operating lease, and both transactions are at fair value any excess of sale proceeds over an asset valued at fair value shall be recognised as income in the year of disposal. If the sale price is above fair value, any excess of sale proceeds over the carrying amount of the asset shall be amortised over the lease term. If the sale price is below fair value, any loss shall be recognised immediately.

8.20.5 ARRANGEMENTS CONTAINING A LEASE

Arrangements, other than those specifically made under the Private Finance Initiative or Public Private Partnership arrangements, which convey a right to use an asset shall be assessed as to whether they contain an inherent lease arrangement against the criteria of the asset needing to be used to fulfil the terms of the arrangement and the arrangement conveys the right to use that asset.

If an arrangement is judged to contain a lease then the above policies for lease shall apply.

8.21 PRIVATE FINANCE INITIATIVE SCHEMES

In respect of the PFI scheme entered into during 2000-01, where the assets are deemed to be under the control of the Council, they shall be recognised on the Balance Sheet under the appropriate asset category and impaired and depreciated in accordance with the policy set out in policy 8.14 above. A related capital liability shall be recognised at the same time which shall be reduced by the capital element of the charge paid to the PFI operator. This sum shall be used as a proxy for depreciating the asset and an equal amount shall be included in the minimum revenue provision set aside from the service revenue account each year.

The finance element due to the operator shall be derived from the interest rate implicit in the contract and, together with other charges payable to the operator, shall be charged to the appropriate service section of the Comprehensive Income and Expenditure Statement.

Any lifecycle replacement payments that can be reliably identified in the contract shall be recognised as a prepayment in the Balance Sheet until such time as expenditure is incurred by the



operator. An adjustment between actual cost and payment shall be made in the Comprehensive Income and Expenditure Statement.

Any future contracts shall be assessed in the light of the relevant accounting standards and practices to determine whether or not the Council needs to recognise an asset and capital obligation in its accounts.

8.22 GROUP ACCOUNTS

Each year the Council shall review its interests and influence in all types of entity including, but not limited to, other local authorities and similar statutory bodies, common good Trust Funds, companies, Joint Committees and other joint arrangements. When appropriate, group accounts shall be prepared in accordance with the pertinent accounting standards.

8.23 JOINT OPERATIONS

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

8.24 RELATED PARTIES

The following disclosures shall be made in respect of material transactions with related parties not disclosed elsewhere in the Statement of Accounts:

- Nature of the relationship and influence exerted either by or on the Council
- The aggregate of transactions in the year separately showing payable and receivable amounts
- Outstanding balances as at 31 March.

8.25 PRINCIPAL AND AGENT

Where the Council acts as agent, no transactions shall appear in its Financial Statements unless the Council collects and distributes cash on behalf of the principal, in which case the appropriate cash transactions will be reflected in the Balance Sheet.

8.26 WORKING BALANCES AND RESERVES

8.26.1 CLASSIFICATION

Reserves shall be classified as usable, being available to support future expenditure or unusable being those required for financial accounting purposes.



8.26.2 USABLE RESERVES

The Council Fund shall comprise of the General Fund balance and reserves, the Housing Revenue Account balance and reserves, usable capital receipts, usable grants and contributions and LMS (School) balances.

Working balances shall be maintained for General Fund and Housing Revenue Account at a level judged to be prudent to meet unforeseen events.

Working balances shall be maintained for schools in accordance with the Council's approved LMS scheme and regulations.

The Strategy for Holding and Utilising Reserves, shall govern the creation, management and use of all reserves.

The expenditure financed from reserves shall be shown, when it is incurred, in the appropriate service section of the Comprehensive Income and Expenditure Statement.

The following circumstances shall allow amounts to be reserved from revenue:

- Material commitments exist for goods and services not received or paid for by 31 March.
- Facilitation of rolling over of funding to future years to ensure the cost effective use of resources and allow for variation in service demand from year to year.
- To set aside resources for future developments or contingencies.

8.26.3 UNUSABLE RESERVES

The following financial reserves shall be maintained:

- Revaluation Reserve – to record any net gain on fixed asset revaluation after 1 April 2007.
- Capital Adjustment Account – to reflect the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- Financial Instruments Adjustment Account - to reflect the discounting and other adjustments applied to financial instruments to arrive at amortised cost reported in the Balance Sheet.
- PFI Lifecycle Reserve - to reflect the estimated sums paid to the PFI contractor for keeping the asset in a "new" state and shall be matched by a prepayment on the Balance Sheet. Both accounts shall be written down based on information received from the contractor on the lifecycle expenditure incurred in the year.
- Pension Reserve – to reflect the position of the Scheme's Fund.
- Accumulated Absences Account – to reflect the cost of paid absence entitlement due but not taken at 31 March.
- Deferred Capital receipts – to reflect sale proceeds in respect of assets disposed of on a deferred basis.

8.26.4 REPORTING

Usable reserve balances shall form part of the Council Fund.

Appropriations to and from reserves shall be reported in the Movement in Reserves Statement separately identifying usable reserves the Council has approved for revenue and capital purposes, reserves held by schools and unusable reserves.



8.27 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.

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.

8.27.1 LANDFILL ALLOWANCE SCHEME WALES

Provision shall be made for any penalties/liabilities payable under the Schemes or where the Council considers it unlikely that the penalty will be enforced it shall disclose a separate class of contingent liability. Any payments made in advance shall be shown as assets.

8.28 CONTINGENT ASSETS AND LIABILITIES

8.28.1 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.

8.28.2 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.

8.29 VAT

Transactions shall be shown net of VAT to the extent that it is recoverable/payable.

8.30 TRUST FUNDS & OTHER ACCOUNTS

Separate accounts shall be maintained for Trusts and other funds administered by the Council. However, where the Authority has full control as the only Trustee group accounts would be



required, but if the transactions / balances are not individually material they will be consolidated within the Council's single entity Financial Statements (for example Tenby Pool).

8.31 IFRS 15 REVENUE FROM CONTRACT

Applies from 1 April 2018, replacing both IAS 18 and Revenue IAS 11 Construction Contracts. IFRS 15 establishes a new framework for revenue recognition and changes the basis for deciding whether revenue is recognised at a point in time or over a period of time. IFRS 15 has introduced 5 steps for revenue recognition, but as the Council has relatively predictable income streams the impact is deemed immaterial.



9.0 NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

9.1 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Actual Expenditure 2020-21	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Statutory Adjustments £'000	Total Statutory Adjustments £'000	Other Non- Statutory Adjustments £'000	Total Adjustments £'000
Education Services	3,923	3,784	(792)	6,915	(6,403)	512
Social Care - Children's Services	24	1,184	(85)	1,123	(40)	1,083
Social Care - Adult Services	470	1,676	-	2,146	(553)	1,593
Housing Services	566	216	-	782	(125)	657
Council Housing	(29,221)	655	(4,556)	(33,122)	(10,290)	(43,412)
Highways & Transport Services	5,004	1,897	-	6,901	(2,394)	4,507
Cultural & Related Services	2,467	961	(14)	3,414	(467)	2,947
Planning Services	1,599	638	-	2,237	(191)	2,046
Environmental Services	1,888	1,317	-	3,205	(1,460)	1,745
Other Central, Corporate & Democratic Services	1,561	500	(3)	2,058	(5,322)	(3,264)
Court Services	-	9	-	9	-	9
Long Term Empty Properties*	-	-	-	-	(247)	(247)
Affordable Housing Scheme*	-	-	-	-	(1,015)	(1,015)
Contributions to Community*	-	-	-	-	(320)	(320)
Net Cost of Services (inc HRA) / Deficit on Continuing Operations	(11,719)	12,837	(5,450)	(4,332)	(28,827)	(33,159)
Other Operating Expenditure	(21)	-	-	(21)	17,108	17,087
Financing & Investment Income & expenditure	(8)	5,789	(201)	5,580	(49)	5,531
Taxation and non-specific grant income and expenditure*	(38,533)	-	-	(38,533)	(17,106)	(55,639)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(50,281)	18,626	(5,651)	(37,306)	(28,874)	(66,180)

* Second Homes Council Tax and Long Term Empty Property Premium shown separately in the Management Accounts but consolidated in the Statement of Accounts tables.



Actual Expenditure 2019-20	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Total Statutory Adjustments	Other Non- Statutory Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Education Services	21,865	4,826	(806)	25,885	(672)	25,213
Social Care - Children's Services	58	1,333	(85)	1,306	(37)	1,269
Social Care - Adult Services	365	1,730	-	2,095	(215)	1,880
Housing Services	223	251	-	474	(28)	446
Council Housing	11,460	674	(4,882)	7,252	(6,330)	922
Highways & Transport Services	5,215	1,421	(1,750)	4,886	810	5,696
Cultural & Related Services	2,748	1,047	(14)	3,781	(196)	3,585
Planning Services	1,001	783	-	1,784	11	1,795
Environmental Services	1,537	1,297	-	2,834	(1,032)	1,802
Other Central, Corporate & Democratic Services	2,426	4,660	71	7,157	(1,270)	5,887
Council Tax Reduction Scheme	-	-	-	-	-	-
Court Services	-	9	-	9	-	9
Second Home Council Tax (Community)	-	-	-	-	(134)	(134)
Affordable Housing Scheme*	-	-	-	-	(991)	(991)
Contributions to Community*	-	-	-	-	(710)	(710)
Net Cost of Services (inc HRA) / Deficit on Continuing Operations	46,898	18,031	(7,466)	57,463	(10,794)	46,669
Other Operating Expenditure	(89)	-	-	(89)	15,985	15,896
Financing & Investment Income & expenditure	(34)	4,173	473	4,612	(54)	4,558
Taxation and non-specific grant income and expenditure*	(17,681)	-	-	(17,681)	(15,986)	(33,667)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	29,094	22,204	(6,993)	44,305	(10,849)	33,456

* Second Homes Council Tax and Long Term Empty Property Premium shown separately in the Management Accounts but consolidated in the Statement of Accounts tables.

9.1.1 ADJUSTMENTS FOR CAPITAL PURPOSES

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which



conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

9.1.2 NET CHANGE FOR THE PENSIONS ADJUSTMENTS

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure — the net interest on the defined benefit liability is charged to the CIES.

9.1.3 OTHER STATUTORY ADJUSTMENTS

Other statutory differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits

9.1.4 OTHER NON-STATUTORY DIFFERENCES

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement e.g. reserve transactions:

- For financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments e.g. for interest income and expenditure.
- For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments e.g. for unringfenced government grants.

9.2 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The Comprehensive Income and Expenditure Statement is prepared using the accounting policies set out within note 8.0 to meet the requirements of the Code of Practice on Local Authority Accounting.

Decisions about resource allocation are taken by the Council on the basis of budget reports prepared on a different basis using the service groupings set out in Service Reporting Code of Practice.



In particular:

No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).

The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year.

Appropriations to earmarked reserves that can be attributed to a particular service are reported at service level.

9.3 EXPENDITURE AND INCOME ANALYSED BY NATURE

Expenditure / Income	2019-20 £'000	2020-21 £'000
Expenditure		
Employee Costs	171,015	172,789
Other Operating Costs	188,434	213,591
Support Services	-	-
Depreciation, amortisation & impairment	46,051	(11,725)
Interest Paid	15,157	16,142
Precepts & Levies	23,521	25,010
Gain or loss on disposal of assets	(89)	(20)
Total Expenditure	444,089	415,787
Income		
Rents, fees & charges etc	(60,340)	(53,353)
Interest & investment income	(554)	(247)
Income from council tax	(78,702)	(83,201)
Government grants and contributions	(271,037)	(345,166)
Total Income	(410,633)	(481,967)
Surplus or Deficit on the Provision of Services	33,456	(66,180)



10.0 NOTES TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

10.1 TAXATION AND NON-SPECIFIC GRANT INCOME

10.1.1 REVENUE SUPPORT GRANT AND SPECIAL GRANT

The amount reported is that notified by the Welsh Government for the financial year in question.

10.1.2 NATIONAL NON-DOMESTIC RATES (NNDR)

The unified business rate for 2020-21 was set by the Welsh Government at 53.5p in the £1 with an average rateable value of £132,848,054 compared to 52.6p with an average rateable value of £131,370,895 in 2019-20. The Council made a net contribution to the NNDR pool of £15.815m in 2020-21 and £14.178m 2019-20.

10.1.3 COUNCIL TAX

The County Council set the following Council Tax for the County Council and also on behalf of the Dyfed Powys Police Authority and Town and Community Councils.

Band D Council Tax	2019-20	2020-21
Pembrokeshire County Council	£1,092.09	£1,146.69
Dyfed Powys Police Authority	£248.56	£260.56
Average Town and Community Council	£36.60	£37.97
Tax Base Number of Band D Equivalent	£	£
Chargeable	57,470.05	58,456.65
Aggregate Collectable*	56,055.84	57,301.64

* Aggregate Collectable figure made up of Budget Setting Tax Base 55,163.59 plus Second Homes 1,959.34 plus Long Term Empty Property Premium 178.71

Council Tax bills were based on the following property band numbers and multipliers:

Tax Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band D Equiv Chargeable Properties	3	3706	6,529	11,330	10,427	14,127	8,116	3,364	646	209

The following amounts were due from council taxpayers for County, Police and Town and Community Councils' expenditures:

Council Tax Income	2019-20 £000	2020-21 £000
Council Tax Due In Year	(76,297)	(82,018)
Council Tax Due in Year - Second Home Premium	(2,580)	(2,625)
Council Tax Due in Year - Long Term Empty Property	(170)	(312)
Non- collection allowance	345	1,754
Amount Due From Taxpayers Before Rebates	(78,702)	(83,201)
Allocated to:		
Dyfed Powys Police Precept	(13,934)	(14,930)
Pembrokeshire County Council	(62,716)	(66,095)
Town and Community Councils Precepts	(2,052)	(2,176)
Total	(78,702)	(83,201)

10.1.4 REVENUE – OTHER NON-SPECIFIC GOVERNMENT GRANTS AND CONTRIBUTIONS

The grant income and contributions reported, are those notified by the Welsh Government and other funding bodies.

	2019-20 £000	2020-21 £000
Credited to Services		
DWP Subsidy Payments and Other DWP Grants	(29,349)	(26,622)
Regional Consortia Schools Improvement Grant	(4,592)	(4,331)
Flying Start & Families First	(3,895)	(4,600)
Grants & Contributions from Health Boards	(9,620)	(10,492)
Cleddau Bridge Grant	(2,800)	(3,000)
Welsh Government Covid Funding	(110)	(28,394)
Other Grants or Contributions credited to Services	(40,542)	(56,989)
Total Revenue Grants & Contributions Credited to Services	(90,908)	(134,428)

The above revenue grants and contributions have been accounted as follows during the year:

	2019-20 £000	2020-21 £000
Grants & Contributions Received	(91,803)	(137,697)
Grants Held In Advance Where Conditions Not Fulfilled	895	3,269
Grants & Contributions Credited As Income in Year	(90,908)	(134,428)

10.1.5 CAPITAL GRANTS & CONTRIBUTIONS

The Authority recognised the following capital grants and contributions in the Comprehensive Income and Expenditure Statement:

	2019-20 £000	2020-21 £000
Credited to Taxation and Non Specific Grant Income		
General Capital Grant	(1,295)	(3,298)
21st Century Schools	-	(12,133)
Convergence	(36)	-
Major Repairs Allowance	(3,990)	(3,986)
Welsh Government - Transport (Local Transport Fund, Safe Routes in Communities, Local Road Safety, Bulford Road, & Southern Strategic Route)	(4,615)	(4,356)
Welsh Government - Flood & Coastal Erosion Risk Management	(494)	(494)
Other Grants	(7,071)	(13,942)
Developers Contributions	(180)	(325)
	(17,681)	(38,534)
Applied to Finance Capital Expenditure	(17,681)	(38,534)
Transferred to Capital Grant Unapplied Reserve	-	-
	(17,681)	(38,534)

10.2 PRECEPTS AND LEVIES

	2019-20 £000	2020-21 £000
Precepts		
Dyfed Powys Police	13,933	14,930
Town and Community Councils	2,052	2,176
Levies		
West Wales Fire and Rescue	6,551	6,919
Pembrokeshire Coast National Park	985	985
Totals	23,521	25,010

10.3 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Payments of a capital nature where no fixed asset was created are written out of the accounts in the Comprehensive Income and Expenditure Statement.

	2019-20 £000	2020-21 £000
Expenditure in Year	4,003	3,282
Grant & Contributions Received in Year	(3,187)	(3,282)
Net Revenue Expenditure Funded from Capital Under Statute	816	-

10.4 PENSION COSTS

The Authority participates in two pension schemes:

10.4.1 THE DYFED SUPERANNUATION SCHEME

Administered by Carmarthenshire County Council, is a funded defined benefit scheme to which both employees and the Authority as employers pay contributions. The scheme operates under the legislation appertaining to Local Government Pensions.

A composite employers contribution rate used in 2020-21 was calculated by the Fund's actuary based on the valuation as at 31 March 2019 for all employees of the County Council who are members of the scheme.

The Fund was valued as at 31 March 2019 and the results of this valuation are reflected in the 2020-21 Accounts.

The disclosures set out below are required by International Accounting Standard 19 (IAS 19), which employs slightly different assumptions than those used in the actuarial valuation, are also produced by the Fund's Actuary at each financial year end.

IAS 19 requires most assets to be valued at "realisable values" i.e.: bid values, as opposed to "fair values" (in effect, mid-market values).

The pensions fund investment assets will move in line with the value of securities quoted on world equity markets which could increase or decrease. As the Pension Fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2021 and the date that the accounting statements are authorised for issue.

REVENUE TRANSACTIONS

Comprehensive Income And Expenditure Statement Entries included in Net Operating Expenditure	2019-20 £000	2019-20 £000	2020-21 £000	2020-21 £000
Interest on Pension Liabilities	18,479		18,904	
Interest on Plan assets	(14,306)		(13,115)	
		4,173		5,789
Administration Expenses		302		325
Past Service (Gain) / Cost		2,196		8
Curtailment (Gain) / Loss		1,233		81
Business Combinations		1,349		
Current Service Cost		27,513		27,672
		36,766		33,875
Statement of Movement on the Council Fund Balance Entries	£000	£000	£000	£000
Reversal IAS 19 Entries Above:		(36,766)		(33,875)
Actual Charges Paid In Year				
Actual Amount Charged For Period	14,262		14,225	
Cost of Enhancements Charged In Year	791	15,053	784	15,009
		(21,713)		(18,866)
Employees Contributions		5.5% - 12.5%		5.5% - 12.5%
Employers Contributions		17.0%		17.1%



THE DYFED SUPERANNUATION SCHEME PENSION ASSETS & LIABILITIES

RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES

	Total Liabilities 2019-20 £000	Funded Liabilities 2020-21 £000	Unfunded Liabilities 2020-21 £000	Total Liabilities 2020-21 £000
Liability as at 1 April	776,924	791,968	11,302	803,270
Movements in the year:				
Current Service Cost	27,513	27,672	-	27,672
Interest on Pension Liabilities	18,479	18,642	262	18,904
Member Contributions	4,704	5,094	-	5,094
Past Service (Gain) / Cost	2,196	8	-	8
Remeasurements (liabilities) comprising of:				
Experience (gain) / loss	21,574	(15,855)	(267)	(16,122)
(Gain) / Loss on financial assumptions	(13,190)	144,233	1,158	145,391
(Gain) / Loss on demographic assumptions	(21,575)	-	-	-
Curtailments	1,233	81	-	81
Settlements	-	-	-	-
Business Combinations	6,921	-	-	-
Benefits / transfers paid	(21,509)	(21,029)	(784)	(21,813)
Liability at 31 March	803,270	950,814	11,671	962,485

RECONCILIATION OF FAIR VALUE OF THE SCHEME ASSETS

	2019-20 £000	2020-21 £000
Fair Value of Plan Assets as at 1 April	598,970	552,032
Movements in the year:		
Interest on Plan assets	14,306	13,115
Remeasurements (assets)	(64,762)	134,309
Administration Expenses	(302)	(325)
Settlements	-	-
Business Combinations	5,572	-
Employer Contributions	15,053	15,009
Member Contributions	4,704	5,094
Benefits / transfers paid	(21,509)	(21,813)
Fair Value of Plan Assets as at 31 March	552,032	697,421



PENSION FUND ASSETS SPLIT BY CATEGORY

	31 March 2020 £000	31 March 2021 £000
Equities	404,144	516,649
Government	21,750	18,133
Other Bonds	55,700	62,768
Property	67,678	77,065
Alternatives	-	14,646
Cash/Liquidity	2,760	8,160
Net Current Assets	-	-
Total	552,032	697,421

Notes to the tables:

Deferred taxation has been ignored.

Compensatory Added Years benefits, which are recharged to the Authority, have been included in the liabilities and contributions for the purposes of the calculations.

No specific investigation has been undertaken in relation to increases in the average age of the scheme membership, but no reason has been given to suggest there have been any substantial changes since the 2019 actuarial valuation.

The net pension liability reported in the accounts includes a potential liability related to the McCloud judgement. In July 2020, the UK Government published proposals for consultation on a remedy to address the McCloud issue. The pension fund actuary has based the estimate on the major provisions of the remedy, however there remains some uncertainty over the final outcome.

The asset values reported are based on a pro-rata of the actual asset values, in order to separate the Authority's share from ERW's.

Actuarial Assumptions

	Beginning Of Year %	End Of Year %
Financial Assumptions		
Rate of CPI inflation	2.1	2.7
Rate of increase in salaries	3.6	4.2
Rate of increase in pensions	2.2	2.8
Discount Rate	2.4	2.1
Life Expectancy (Years)		
Male future pensioner aged 65 in 20 years' time	24.5	24.7
Female future pensioner aged 65 in 20 years' time	27.1	27.2
Male current pensioner aged 65	23.0	23.1
Female current pensioner aged 65	24.9	25.0



Notes to the Actuarial Assumptions

- The end of year figures for the market value of the assets and split of assets between investment categories have been calculated as at 31 March 2021. The corresponding split of assets at the start of the year has been calculated as at 31 March 2020.
- The actuarial assumptions used in the calculation of the year end Balance Sheet liabilities are based on the 2019 actuarial valuation assumptions, other than the financial assumptions, which are shown above.
- The above expected returns are gross of expenses. A deduction of £2,536k in respect of expenses is made in calculating the expected return for the year.
- The figure used for the discount rate is based on a yield on corporate bonds of around 2.1 – 2.2%.
- The estimation of the defined benefit obligations is sensitive to actuarial assumptions for discount rate, inflation, pay growth and life expectancy. Changes to these assumptions could lead to significant changes in the liability.
- The 2021-22 estimated employer contributions are £14,799k per the Mercer report.

EFFECT OVER TIME OF ACTUAL TO ASSUMED PERFORMANCE

Scheme History	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000
Present Value of Liabilities	(702,626)	(700,717)	(776,924)	(803,270)	(962,485)
Fair Value of Assets	547,228	563,920	598,970	552,032	697,421
Surplus / (Deficit) in the scheme	(155,398)	(136,797)	(177,954)	(251,238)	(265,064)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The overall impact is an increase in the deficit over the year. See section 1.4.2 for more details.

The total liability of £265.0m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.



10.4.2 THE TEACHER'S PENSION SCHEME

Administered by the Department for Education in England and Wales. This is an unfunded scheme, meaning that there are no investment assets accumulated to meet pension costs before they arise, and therefore no fund assets or liabilities appearing in the Council's Balance Sheet. The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teacher's Pension Scheme.

Comprehensive Income & Expenditure Statement Entries	2019-20 £000	2020-21 £000
Included in Net Operating Expenditure		
Total contributions charged to the accounts	7,721	9,047
Cost of discretionary awards made in year	-	-
Employees contribution rate	7.4% - 11.7%	7.4%-11.7%
Employers contribution rate	16.5% - 23.7%	23.7%

10.5 REMUNERATION DETAILS

10.5.1 THE FOLLOWING TABLES SET OUT THE DISCLOSURE OF REMUNERATION FOR SENIOR STAFF AS FOLLOWS:

Chief Executive / Head of Paid Service and Directors including pension contributions. The total contribution rate for employer pension contributions was 17.0% for 2019-20 and 17.1% for 2020-21.

Senior Officers		Gross Salary, Fees & Other Emoluments	Employer Pension Contributions to Local Government Pension Scheme	Benefits in kind	Election Fees
		£	£	£	£
Chief Executive/Returning Officer*	2019-20	137,896	23,455	13,568	28,885
	2020-21	193,576	16,161	9,070	-
Interim Chief Executive/Returning Officer**	2019-20	-	-	-	-
	2020-21	47,255	6,324	3,300	-
Director of Resources	2019-20	118,888	20,242	7,553	1,590
	2020-21	124,462	21,283	4,534	-
Director of Community Services	2019-20	121,047	20,592	16,965	670
	2020-21	124,462	21,283	16,386	-
Director of Social Services & Housing	2019-20	118,958	20,242	7,812	1,090
	2020-21	124,462	21,283	5,841	-
Director for Education***	2019-20	18,353	3,120	911	-
	2020-21	115,098	19,682	1,347	-

*Chief Executive/Returning Officer left the employment of the Council on 30 November 2020 and was paid a settlement agreement payment of £95,000. There is an ongoing review by Audit Wales into the lawfulness of the settlement agreement payment.

**Interim Chief Executive / Returning Officer from 01 December 2020

***Acting Director of Children & Schools to 23 July 2020, Director of Education from 23 July 2020



Other Employees (including teachers) receiving remuneration of £60,000 or more (not including employer pension contributions) in bands of £5,000.

Other Employees Remuneration Band	Number Of Employees	
	2019-20	2020-21
£60,000 - £64,999	28	31
£65,000 - £69,999	11	15
£70,000 - £74,999	8	7
£75,000 - £79,999	5	4
£80,000 - £84,999	4	2
£85,000 - £89,999	2	8
£90,000 - £94,999	4	1
£95,000 - £99,999	2	2
£100,000 - £104,999	5	3
£105,000 - £109,999	1	3
£110,000 - £114,999	-	1
£115,000 - £119,999	1	-
£155,000 - £159,999	1	-

Banding includes termination benefits for Head of Service reported in note 10.5.3

The remuneration of the Council's former Chief Executive/Interim Chief Executive during 2020-21 was £141,760 (2019-20 £137,865). The median remuneration of all the Council's employees during 2020-21 was £21,046 (2019-20 £20,082). The ratio of the remuneration of the Council's former Chief Executive/Interim Chief Executive to the median remuneration of all the Council's employees during 2020-21 was approximately 6.7:1 (2019-20 6.87:1).

10.5.2 MEMBERS ALLOWANCES

The total allowances including taxable benefits paid to Members in the year totalled £1,133,453 compared with 1,139,056 in 2019-20.

10.5.3 TERMINATION BENEFITS

The following table identifies payments comprising of statutory and voluntary redundancy costs, pension contributions in respect of added years and pension strain and other ex gratia payments.

Redundancy & Other Termination Costs (Current Year)	2019-20				2020-21			
	No's			£000	No's			£000
	Compulsory	Other	Total		Compulsory	Other	Total	
£0 - £20,000	31	70	101	838	7	5	12	68
£20,001 - £40,000	6	20	26	690	3	7	10	304
£40,001 - £60,000	1	7	8	389	-	3	3	134
£60,001 - £80,000	1	2	3	205	-	1	1	75
£80,001 - £100,000*	-	-	-	-	-	1	1	95
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-
Total	39	99	138	2,122	10	17	27	676

*Ongoing review by Audit Wales into the lawfulness of the settlement agreement payment to the former Chief Executive. Reduced number of redundancy and other termination costs in 2020-21 as schools unable to restructure due to Covid-19.



Pension Costs - Capital Settlement (Current Year)	2019-20		2020-21	
Band	No's	£000	No's	£000
£0 - £20,000	39	311	6	58
£20,001 - £40,000	12	297	-	-
£40,001 - £60,000	8	420	-	-
£60,001 - £80,000	3	217	-	-
Total	62	1,245	6	58

Pension Costs - Annual Contribution (Prior Year)	2019-20 £000	2020-21 £000
Annual Contribution	1,069	998
Total	1,069	998

10.6 AUDIT FEES

The following amounts are estimated as payable to the Audit Wales for the year:

	2019-20 £000	2020-21* £000
Fees payable to Audit Wales with regard to external audit services carried out by the appointed auditor for the year	165	165
Fees payable to the Auditor General for Wales in respect of statutory inspections and the LG Measure	110	110
Fee payable for the certification of grant claims and returns	34	32
Total	309	307

* The figures for the 2020-21 fees are estimated but are likely to increase due to the ongoing review into the lawfulness of the settlement agreement payment to the former Chief Executive.

10.7 RELATED PARTIES

Related parties refers to bodies or individuals that have the potential to control or influence the Council or to be influenced or controlled by the Council thereby possibly constraining the ability of the Council or the other party to operate independently.

There are other instances where Members and officers of the Council may attend meetings of the third party bodies but do not have the direct ability to exercise control, however, the opinions they express may influence decisions and policy.

10.7.1 MEMBERS OF THE COUNCIL

Under the Code of Conduct incorporated in the Council's Constitution, Members are required to record in the Register of Members Interests any financial and other personal interests, together with any gift, hospitality, material interest or advantage. The Register is open to inspection by the public and is available on an individual Member basis on the [Council website](#).

Members of the Council are nominated to serve on numerous outside bodies some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. When sitting on these bodies Members are expected to act independently and not to represent the views of the County Council. The declaration of related party transactions by members is open to inspection by the public and is available on an individual Member basis on the [Council website](#).

A number of Members have interests in businesses which received Covid-19 related grant funding during 2020-21.

Material payments made to organisations where Members had an interest include Hywel Dda University Health Board (£4.186m), Pembrokeshire Association of Voluntary Services (£0.836m), Openreach (£0.562m), Bluestone National Park Resort (£0.516m), Paul Sartori (£0.505m), Pembrokeshire College (£0.490m), Milford Haven Port Authority (£0.414m), Pembrokeshire Care Society (£0.382m), Pembrokeshire Mind (£0.361m), and Frame Ltd (£0.360m).

A complete list of Member related party expenditure, income and outstanding balances is held on the [Council website](#).

10.7.2 OFFICERS

Under the Employees' Code of Conduct, officers are required to declare potential conflicts of interest arising from employment arrangements together with gifts or hospitality and offers thereof and, under Section 117 1972 Local Government Act, contractual arrangements where there is a conflict of interest. Most professional bodies also have codes of professional conduct to which members of those bodies are expected to adhere.

Payments made to organisations where Officers had an interest include Pembrokeshire College (£0.490m), Education through Regional Working (see Note 6.0 on page 25) (£0.079m) and Patch (£0.064m).

A complete list of Officers related party expenditure, income and outstanding balances is held on the [Council website](#).

10.7.3 CONTRACTS

Under the Council's constitution contracts as defined in Contract Procedure Rules and are subject to Cabinet Member delegations.

10.7.4 MATERIAL RELATIONSHIPS

There have been no material relationships identified where material influence exists.

10.7.4.1 UK AND WELSH GOVERNMENTS

The UK and Welsh Governments, and to a lesser extent the European Union (Until Brexit), have the responsibility for the statutory framework and provide the majority of the Council's funding, much of which is subject to specific terms and conditions. They can, therefore, exert effective control over the operations of the Council. Details of grants received are set out within note 10.1.4. Grant receipts outstanding at 31 March 2021 are set out within note 12.6.3.

10.7.4.2 OTHER PUBLIC BODIES

Other Public Bodies are subject to common control by Central and Welsh Government.

10.7.4.3 POOLED BUDGETS

An arrangement with the Hywel Dda Local Health Board was in place during the year operating under a pooled budget agreement. The transactions of which are set out below:

	Joint Equipment Store	
	2019-20 £000	2020-21 £000
Balance B/fwd	-	-
Contributions:		
PCC	292	358
Hywel Dda	295	296
Expenditure in Year	587	654
Balance C/Fwd	-	-

10.7.4.4 JOINTLY CONTROLLED OPERATIONS

Together with the other 21 Welsh Unitary Authorities, the Council is a member of WJEC, a company limited by guarantee whose objectives are to provide and promote other educational and cultural services. The Council's liability is limited to £1. Copies of the accounts can be obtained from WJEC CBAC Ltd, 245, Western Avenue, Llandaff, Cardiff CF5 2YX.

The Council also participates in a number of other Joint Arrangements which have not involved the establishment of a separate entity, where any unspent contributions to such arrangements are held in a Joint Arrangement Reserve. In accordance with accounting policy 8.23, where material, the main financial statements of the Council have been consolidated with the relevant entries.

EDUCATION THROUGH REGIONAL WORKING (ERW)

ERW is an alliance of local authorities (six in 2019-20, five in 2020-21 and four for the period 1 April to 31 August 2021) in South West and Mid Wales working to improve the standards of education of children and young people within the region. The Council is the lead for accounting purposes.

Discussions are ongoing at July 2021, but it is anticipated that ERW will cease on 31 August 2021 and a new partnership of Pembrokeshire, Carmarthenshire and Swansea Councils will commence from 1 September 2021.

The Council's share of the Joint Arrangement Income and Expenditure Account and Balance Sheet are shown in the table below.

Income and Expenditure	2019-20		2020-21	
	Total ERW £000	PCC Share £000	Total ERW £000	PCC Share £000
Expenditure	64,917	8,793	56,637	9,420
Income	(64,876)	(8,783)	(56,768)	(9,442)
Net Expenditure	41	10	(131)	(22)
Net Pensions Interest	20	2	67	11
Movement on Reserves	-	-	-	-
Net (Surplus) / Deficit	61	12	(64)	(11)

Balance Sheet as at 31 March	2019-20		2020-21	
	Total ERW £000	PCC Share £000	Total ERW £000	PCC Share £000
Current Assets	2,882	390	3,430	571
Current Liabilities	(2,429)	(333)	(2,708)	(450)
Total Assets Less Liabilities	453	57	722	121
Long Term Liabilities	(407)	(55)	(613)	(102)
Total Long Term Liabilities	(407)	(55)	(613)	(102)
Net Assets	46	2	109	19
Reserves	(46)	(2)	(109)	(19)
Total Financing	(46)	(2)	(109)	(19)

ERW accounts are in the process of being completed, these figures are subject to change

ERW as a legally constituted Joint Committee statutory financial statements which can be obtained from the ERW website: <http://www.erw.wales>

SWANSEA BAY CITY DEAL

The Swansea Bay City Deal is a £1.3bn investment in 11 major projects across the Swansea Bay City Region – which is made up of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.

The Swansea Bay City Deal is being led by the four regional local authorities through a Joint Committee Agreement, together with non-voting partners - Swansea Bay and Hywel Dda University Health Boards, Swansea University and the University of Wales Trinity Saint David.

Within the Joint Committee Agreement there is acknowledgment that all partners will contribute £50,000 per annum to support the central and administrative functions of the programme.

The City Deal is being funded, subject to the approval of project business cases, by the UK Government, the Welsh Government, the public sector and the private sector. On the successful approval of project business cases the Accountable Body, on behalf of the Joint Committee, will release Government grant funding to Project Lead Authorities up to the maximum of the agreed allocated value. Grant values are subject to change, however this will be supported by a full business case and approval by the Joint Committee and both UK and Welsh Governments, as outlined within the Joint Committee Agreement.

In June 2020, the Pembroke Dock Marine (PDM) business case received approval to be part of the overall Swansea Bay City Deal programme. To date no grant funding has been received by the Local Authority from the Accountable Body of the Swansea Bay City Deal. The agreement between the Accountable Body and the Council was signed on 23 February 2021 with the agreements between the Council and the four delivery partners being signed on 2 July 2021.

In addition there are 3 regional projects, Digital Infrastructure, Homes as Power Stations and Skills and Talents. Due to the timing of the grant on these projects there will be a requirement for the Council to borrow. The level of borrowing required is still to be confirmed.

OTHER JOINT ARRANGEMENTS

Other joint arrangements include South Pembrokeshire Hospital, Substance Misuse Action Fund (SMAF), Welsh Purchasing Consortium, Local Resilience Forum, Integrated Transport (SWWITCH) and Joint Commissioning (Carmarthenshire County Council / Pembrokeshire County Council) amongst others. Where material, the main financial statements of the Council have been consolidated with the relevant entries.

10.7.4.5 WITHYBUSH FOODPARK JOINT VENTURE

Withybush Food Park is a joint venture between Pembrokeshire County Council and Welsh Government. Incorporated on 1 February 2021 its aim is to create a high quality hub in Withybush that will become home to a number of food producers. This will involve creating fully serviced plots ready to sell for development and potentially the construction of advance build units for let or purchase.

The agreement shall continue for a period of 8 years from 1 February 2021 or until the Overall Objective has been achieved or until either Party decides after a period of 5 years from 1 February 2021 that the Overall Objectives cannot be achieved subject to agreed mutual agreement.

The Council shall submit to the Ministers for approval on an annual basis management accounts. The financial arrangements are that any receipts from plot sales or rental income is divided between the parties on a percentage based on each party's approved development expenditure.

Discussions are still on going with Welsh Government to validate development expenditure to date for both parties. Consequently the percentage split for the joint venture is still undetermined. The Council expenditure for Withybush Food Park in 2020-21 was £531k.

Due to materiality/percentage split still to be determined, the entries are included in the single entity accounts and no Group Accounts have been prepared.

10.7.4.6 CONTROLLED OR INFLUENCED ENTITIES

The Council controls the Tenby Pool, Fishguard and Tenby Harbour Authorities and other Trust Funds. Tenby Pool gross income and expenditure and the fixed asset values have been incorporated into the Council's Statement of Accounts.



11.0 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

11.1 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND REGULATORY FUNDING BASIS

Actuals 2020-21	General Fund Working Balance £000	HRA Working Balance £000	Capital Receipts & Grants Reserves £000	Total Usable Reserves £000	Unusable Reserves £000
Amounts included in Total Comprehensive Income and Expenditure required by regulation to be excluded to arrive at the funding position					
Depreciation	(17,119)	(3,978)	-	(21,097)	21,097
Impairment / Revaluation	(385)	33,207	-	32,822	(32,822)
Capital Grants Treated As Income	33,141	5,393	-	38,534	(38,534)
Disposal of Non-Current Assets	(5)	2	(2,559)	(2,562)	2,562
Use of Capital Receipts set aside as reserved receipts	-	-	297	297	(297)
Use of Capital Receipts to fund revenue transformation activity (Capital Directive)	-	-	2,379	2,379	(2,379)
Financing Cost Adjustment (EIR adjustment)	(1)	-	-	(1)	1
Pension Cost Adjustment	(32,236)	(1,639)	-	(33,875)	33,875
Employee Benefits – Leave Accrual	240	-	-	240	(240)
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position					
Minimum Revenue Provision	3,774	1,545	-	5,319	(5,319)
Statutory Repayment of Debt (PFI)	315	-	-	315	(315)
Capital Expenditure Charged To Council Fund (inc PFI Lifecycle)	1,968	4,756	-	6,724	(6,724)
Amortisation of net premium/discounts in relation to financial instruments	87	-	-	87	(87)
Employers contributions to pension schemes	14,321	688	-	15,009	(15,009)
Net Adjustment Required	4,100	39,974	117	44,191	(44,191)



Actuals 2019-20	General Fund Working Balance £000	HRA Working Balance £000	Capital Receipts & Grants Reserves £000	Total Usable Reserves £000	Unusable Reserves £000
Amounts included in Total Comprehensive Income and Expenditure required by regulation to be excluded to arrive at the funding position					
Depreciation	(17,170)	(4,084)	-	(21,254)	21,254
Impairment / Revaluation	(17,455)	(7,342)	-	(24,797)	24,797
Capital Grants Treated As Income	13,055	4,626	-	17,681	(17,681)
Revenue Expenditure Funded From Capital Under Statute	(816)	-	-	(816)	816
Disposal of Non-Current Assets	90	2	(3,761)	(3,669)	3,669
Use of Capital Receipts set aside as reserved receipts	-	-	1,861	1,861	(1,861)
Use of Capital Receipts to fund revenue transformation activity (Capital Directive)	-	-	812	812	(812)
Financing Cost Adjustment (EIR adjustment)	(13)	-	-	(13)	13
HRA Subsidy Exit Settlement	-	-	-	-	-
Pension Cost Adjustment	(35,277)	(1,489)	-	(36,766)	36,766
Employee Benefits – Leave Accrual	(486)			(486)	486
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position					-
Minimum Revenue Provision	5,129	1,545	-	6,674	(6,674)
Statutory Repayment of Debt (Finance Lease Liabilities)	12	-	-	12	(12)
Statutory Repayment of Debt (PFI)	289	4,858	-	5,147	(5,147)
Capital Expenditure Charged To Council Fund (inc PFI Lifecycle)	5,347	-	-	5,347	(5,347)
Amortisation of net premium/discounts in relation to financial instruments	88	-	-	88	(88)
Employers contributions to pension schemes	14,434	619	-	15,053	(15,053)
Net Adjustment Required	(32,773)	(1,265)	(1,088)	(35,126)	35,126



11.2 USABLE RESERVES

11.2.1 GENERAL FUND, HRA, EARMARKED AND EDUCATION SPECIFIC RESERVES

	Balance 31 March 2020 £000	Contrib'n (from) Revenue Accounts £000	Contib'n to Revenue Accounts £000	Financing Adj & Tfr to Provision £000	Contrib'n to Capital Accounts £000	Balance 31 March 2021 £000
Working Balances						
General Fund	(7,000)	-	-	-	-	(7,000)
HRA	(752)	-	-	-	-	(752)
Total Working Balances	(7,752)	-		-	-	(7,752)
Earmarked Reserves						
HRA Capital Reserve						
Housing HRA	(5,597)	(9,780)	-	-	4,756	(10,621)
Total HRA Capital Reserve	(5,597)	(9,780)	-	-	4,756	(10,621)
General Fund Capital Reserves						
General Capital Fund	(860)	(594)	47	-	434	(973)
21st Century Schools	-	(51)	-	-	51	-
Total Capital General Fund Reserves	(860)	(645)	47	-	485	(973)
General Fund Earmarked Revenue Reserves						
Insurance	(4,225)	(453)	-	893	-	(3,785)
Winter Maintenance	(227)					(227)
Risk Management	(4,452)	(453)	-	893	-	(4,012)
Property & Equipment	(1,692)	(1,821)	-	-	601	(2,912)
Carriageway Reconstruction	(49)	(721)	-	-	5	(765)
Vehicles & Plant	(3,929)	(2,604)	-	-	313	(6,220)
Cleddau Bridge	(257)	(600)	-	-	8	(849)
West Wales Crematorium	(703)	(296)	230		65	(704)
Asset Renewal & Repair	(6,630)	(6,042)	230	-	992	(11,450)
Elections	(156)	(200)	-	-	-	(356)
Social Care Reorganisation	(1,008)	(293)	-	-	-	(1,301)
Education Reorganisation	(871)	(133)	129	-	-	(875)
Equalisation	(2,035)	(626)	129	-	-	(2,532)
Invest to Save	(4,347)	(229)	78	-	289	(4,209)
Service Reconfiguration	(2,251)		38	-	31	(2,182)
Programme for Administration	(4,192)	(465)	50	-	-	(4,607)
Covid-19	(1,767)	(4,513)	-	-	-	(6,280)
Transformation	(12,557)	(5,207)	166	-	320	(17,278)
Planning	(161)	(24)	-	-	-	(185)
County Farms Compensation	(131)	(30)	-	-	-	(161)
Regeneration Fund	(563)	-	-	-	-	(563)
Economic Development & Tourism	(122)	(88)	-	-	-	(210)
Environmental Services	(202)	(135)	8	-	-	(329)
Recycling	(686)	(13)	-	-	52	(647)
Service Delivery	(1,865)	(290)	8	-	52	(2,095)
Joint Arrangements	(57)	(2)	-	-	-	(59)
Affordable Housing	(2,839)	(1,162)	24	-	-	(3,977)
Contribution to Community	(1,555)	(1,162)	719	-	-	(1,998)
External	(4,451)	(2,326)	743	-	-	(6,034)
TOTAL GENERAL FUND REVENUE EARMARKED RESERVES	(31,990)	(14,944)	1,276	893	1,364	(43,401)
Schools ISB Balances	(2,142)	(4,977)	22	-	-	(7,097)
School Catering SLA	(296)	(236)	-	-	37	(495)
Schools Maintenance SLA	(508)	(340)	-	-	-	(848)
Schools Supply Insurance	(646)	-	59	-	-	(587)
ICT Infrastructure	-	(121)	-	-	-	(121)
PFI ICT	(7)	(50)	54	-	-	(3)
PFI RSG Equalisation	(2,297)	(2)	184	-	-	(2,115)
TOTAL SCHOOLS & RELATED RESERVES	(5,896)	(5,726)	319	-	37	(11,266)



11.2.2 CAPITAL RECEIPTS, GRANTS & CONTRIBUTIONS RESERVES TRANSACTIONS

Part of the receipts from the sale of assets is set aside to repay debt in accordance with accounting policies, the balance is available to finance capital expenditure.

Contributions for capital purposes and unapplied capital grants received are also available to finance future capital investment.

	Balance at 1 April 2020	Rec'd In Year	Set Aside Prov'n	In Year Transfers	Applied to Revenue	Applied To Finance Expend	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Capital Receipts Reserve							
General Fund	(11,984)	(2,262)	-	-	-	2,379	(11,867)
HRA	-	(297)	297	-	-	-	-
TOTAL	(11,984)	(2,559)	297	-	-	2,379	(11,867)

12.0 NOTES TO THE BALANCE SHEET

12.1 NON-CURRENT ASSETS

12.1.1 FIXED ASSETS

The Council's fixed asset portfolio was valued at £810m as at 31 March 2021 compared to £721m as at 31 March 2020.

Fixed assets acquisitions in the year were made for consideration of £9.2m. This figure is included in the total additions value of £47.3m with the remaining value relating to construction costs or work relating to existing assets.

Asset disposals realised £1.0m in respect of non-council housing and £0.380m in respect of council house sales. At 31 March 2021, surplus assets awaiting disposal have an estimated value of £2.3m, of which £1.914m is estimated as being likely to be sold within the next 12 months.

Impairments were charged in the year representing; Dove Cottage & 9 Maidenwells were demolished and the land assets are included within the adopted highway, Haverfordwest High VC school buildings all have been demolished, Maes Ingli & Tiers Cross have been demolished, and Haverfordia House has been set out for redevelopment.

12.1.1.1 VALUATION

The assets of the Council have been valued in accordance with the stated accounting policy. Where applicable, assets have been valued by the Council's valuer, Mrs H McLeod-Baikie F.R.I.C.S.

Valuation Basis Gross Values	Council House Assets £000	Other Land & Bldings £000	Infra- structure £'000	Vehicle, Plant & Equip £000	Com'ty Assets £000	Heritage Assets £000	Assets Under Const'n £000	Surplus Assets £000	Total £000
Carried at Historical Cost	84,381	27,767	175,947	32,636	593	1,755	8,809	-	331,888
Valued at Fair Value as at:									
31 March 2021	238,404	189,476	-	-	-	-	-	2,282	430,162
31 March 2020	220	92,719	-	7	-	-	1,213	-	94,159
31 March 2019	950	32,403	-	58	45	-	1,122	-	34,578
31 March 2018	49	40,129	-	65	-	-	-	-	40,243
31 March 2017	144	59,606	-	-	-	-	-	-	59,750
Total Cost or Valuation	324,148	442,100	175,947	32,766	638	1,755	11,144	2,282	990,780

Voluntary Controlled (VC), Voluntary Aided (VA) and PFI schools for which the Council has legal title are included on the Council's Balance Sheet. Those that are legally owned by other bodies are excluded. The gross carrying value of VC and VA schools excluded from the Balance Sheet is approximately £6.0m.

The gross carrying value of the pool area of Tenby Leisure Centre (approx. £1.5m) is held in trust. In accordance the Code, this has been included in the Balance Sheet. It is also reported separately as part of the Tenby Pool Trust accounts.

Infrastructure is measured at Historic Cost and so is not included in the table above.



12.1.1.2 DEPRECIATION & IMPAIRMENT

All fixed assets have been depreciated using the straight-line method using the following assumed useful lives shown below.

Type Of Asset	Useful Life Over Which Depreciated
Council Dwellings	40 years
Other HRA Property	10 - 40 years
Buildings	5 - 40 years
Land	Not depreciated
Infrastructure	40 years
Vehicles Plant & General Equipment	3 - 15 years
IT Equipment	5 years
Heritage Assets	Not depreciated
Community Assets	Not depreciated
Assets Under Construction	Not depreciated
Surplus Assets	5 - 40 years
Investment Properties	Not depreciated
Intangibles	3 years

12.1.1.3 ASSET USAGE AND CATEGORISATION

Type Of Asset	Net Book Value					
	2019-20			2020-21		
	General Fund	HRA	Total	General Fund	HRA	Total
	£000	£000	£000	£000	£000	£000
Property Plant & Equipment						
Council Dwellings	265	197,844	198,109	357	244,487	244,844
Land & Buildings	375,807	610	376,417	408,057	575	408,632
Infrastructure	121,500	-	121,500	125,406	-	125,406
Vehicles Plant & Equipment	14,424	505	14,929	16,493	345	16,838
Heritage Assets	528	-	528	528	-	528
Community Assets	578	-	578	577	-	577
Assets Under Construction	5,713	-	5,713	10,672	-	10,672
Surplus Assets	2,750	-	2,750	2,248	-	2,248
	521,565	198,959	720,524	564,338	245,407	809,745
Intangibles	214	-	214	39	-	39
Assets Held for Sale	-	-	-	350	-	350
Total	521,779	198,959	720,738	564,727	245,407	810,134



12.1.1.4 MOVEMENT IN NON-CURRENT ASSET VALUES PROPERTY, PLANT & EQUIPMENT DETAILS 2020-21

Owned Assets	Council House Assets	Other Land & Bldings	Infra-structure	Vehicle, Plant & Equip	Com'ty Assets	Heritage assets	Assets Under Const'n	Surplus Assets	Total Property Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 31 March 2020	286,819	413,485	168,636	28,124	602	1,155	5,890	3,707	908,418
Prior Year Adjustment (HRA land & garage in L&B - previously only HRA shops picked up)	33	(33)	-	-	-	-	-	-	-
Cost or Valuation At 1 April 2020	286,852	413,452	168,636	28,124	602	1,155	5,890	3,707	908,418
Additions	10,171	18,165	7,276	6,092	37	600	4,945	30	47,316
De-recognition / disposals	-	(7,983)	-	(1,450)	-	-	-	-	(9,433)
De-recognition – other (component)	-	-	-	-	-	-	-	-	-
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount	(18,369)	(25,606)	-	-	-	-	1	(1,353)	(45,327)
Revaluations increases / (decreases) recognised in the Revaluation Reserve	7,490	31,560	-	-	36	-	-	503	39,589
Revaluations increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	38,309	12,837	-	-	3	-	-	20	51,169
Reclassifications – PPE & Investment	-	-	-	-	-	-	-	-	-
Reclassifications – (to) / from Held for Sale	(305)	(166)	-	-	(40)	-	-	(440)	(951)
Other Movements	-	(159)	35	-	-	-	308	(185)	(1)
At 31 March 2021	324,148	442,100	175,947	32,766	638	1,755	11,144	2,282	990,780
Depreciation & Impairments									
Depreciation	(15,726)	(19,485)	(43,732)	(12,020)	-	(12)	(249)	(766)	(91,990)
Impairment	(72,984)	(17,583)	(3,404)	(1,175)	(24)	(615)	72	(191)	(95,904)
At 31 March 2020	(88,710)	(37,068)	(47,136)	(13,195)	(24)	(627)	(177)	(957)	(187,894)
Prior Year Adjustment (GCA Valuation Error)									
Depreciation	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Depreciation Charge for 2020-21	(3,840)	(9,435)	(3,318)	(3,719)	-	-	-	(588)	(20,900)
Impairment Losses & Non-Enhancing Expenditure to Revaluation Reserve	(51)	(7,892)	-	-	-	-	-	-	(7,943)
Impairment Losses & Non-Enhancing Expenditure to Surplus/Deficit on the Provision of Services	(5,072)	(12,168)	(88)	(350)	(37)	(600)	-	(32)	(18,347)
Derecognition / Disposals:									
~ W/O Accumulated Depreciation	-	6,600	-	1,324	-	-	-	-	7,924
~ W/O Accumulated Impairment	-	779	-	12	-	-	-	-	791
Revaluations:									
~ W/O Accumulated Depreciation	18,084	13,427	-	-	-	-	-	1,351	32,862
~ W/O Accumulated Impairment	285	12,175	-	-	-	-	-	7	12,467
Reclassifications:									
~ Transfer Accumulated Depreciation b/fwd	-	110	-	-	-	-	(110)	-	-
~ Transfer Accumulated Impairment b/fwd	-	-	-	-	-	-	(185)	185	-
At 31 March 2021	(79,304)	(33,468)	(50,541)	(15,928)	(61)	(1,227)	(472)	(34)	(181,035)
Balance Sheet Amount at 31 March 2021	244,844	408,632	125,406	16,838	577	528	10,672	2,248	809,745
Balance Sheet Amount at 31 March 2020	198,109	376,417	121,500	14,929	578	528	5,713	2,750	720,524



12.1.1.5 COMPARATIVE MOVEMENT IN NON CURRENT ASSET VALUES PROPERTY, PLANT & EQUIPMENT 2019-20

Owned Assets	Council House Assets	Other Land & Bldings	Infra-structure	Vehicle, Plant & Equip	Com'ty Assets	Heritage assets	Assets Under Const'n	Surplus Assets	Total Property Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 31 March 2019	278,945	427,372	163,239	23,484	598	809	269	2,297	897,013
Prior Year Adjustment (GCA Valuation Error & Tenby Pool)	-	-	-	-	-	-	-	-	-
Cost or Valuation At 1 April 2019	278,945	427,372	163,239	23,484	598	809	269	2,297	897,013
Additions	9,527	11,030	6,120	6,110	4	346	3,191	190	36,518
De-recognition / disposals	-	(2,288)	-	(3,032)	-	-	-	-	(5,320)
De-recognition – other (component)	-	-	-	-	-	-	-	-	-
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount	(179)	(8,859)	(96)	-	-	-	-	(508)	(9,642)
Revaluations increases / (decreases) recognised in the Revaluation Reserve	985	3,217	-	7	-	-	-	266	4,475
Revaluations increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(606)	(10,566)	(627)	-	-	-	-	234	(11,565)
Reclassifications – PPE & Investment	-	-	-	-	-	-	-	-	-
Reclassifications – (to) / from Held for Sale	(1,853)	(1,208)	-	-	-	-	-	-	(3,061)
Other Movements	-	(5,213)	-	1,555	-	-	2,430	1,228	-
At 31 March 2020	286,819	413,485	168,636	28,124	602	1,155	5,890	3,707	908,418
Depreciation & Impairments									
Depreciation	(11,957)	(18,608)	(40,510)	(11,890)	-	(8)	(175)	(39)	(83,187)
Impairment	(66,249)	(11,716)	(3,022)	(973)	(19)	(270)	175	1	(82,073)
At 31 March 2019	(78,206)	(30,324)	(43,532)	(12,863)	(19)	(278)	-	(38)	(165,260)
Depreciation Charge for 2019-20	(3,952)	(9,808)	(3,318)	(2,934)	-	(4)	-	(778)	(20,794)
Impairment Losses & Non-Enhancing Expenditure to Revaluation Reserve	-	(3,391)	-	-	-	(56)	-	-	(3,447)
Impairment Losses & Non-Enhancing Expenditure to Surplus/Deficit on the Provision of Services	(6,735)	(5,225)	(383)	(405)	(5)	(289)	-	(190)	(13,232)
Derecognition / Disposals:									
~ W/O Accumulated Depreciation	-	962	-	2,804	-	-	-	-	3,766
~ W/O Accumulated Impairment	-	1,226	-	203	-	-	-	-	1,429
Revaluations:									
~ W/O Accumulated Depreciation	178	7,439	96	-	-	-	-	508	8,221
~ W/O Accumulated Impairment	-	1,418	1	-	-	-	-	-	1,419
Reclassifications:									
~ Transfer Accumulated Depreciation b/fwd	5	530					(74)	(457)	4
~ Transfer Accumulated Impairment b/fwd		105					(103)	(2)	-
At 31 March 2020	(88,710)	(37,068)	(47,136)	(13,195)	(24)	(627)	(177)	(957)	(187,894)
Balance Sheet Amount at 31 March 2020	198,109	376,417	121,500	14,929	578	528	5,713	2,750	720,524
Balance Sheet Amount at 31 March 2019	200,739	397,048	119,707	10,621	579	531	269	2,259	731,753



12.1.1.6 HERITAGE ASSETS

Heritage Assets with a net carrying amount of £528k were held for 2019-20 and 2020-21 respectively. Further details of the Council's Heritage Assets can be obtained from the Pembrokeshire Museums and Archives Services.

12.1.2 FIXED ASSET DISPOSALS AND DE-RECOGNITIONS IN THE YEAR

The gross carrying value of assets disposed of in the year were :	2019-20 £000	2020-21 £000
Disposals		
Council Housing	1,849	305
Building Plots and Land	1,404	295
Investment Property	-	-
Other	2,430	1,469
Total Disposals	5,683	2,069
De-recognitions		
Council Housing	-	-
Building Plots and Land	-	-
Investment Property	-	-
Other	3,032	7,965
Total De-recognitions	3,032	7,965

12.1.3 INTANGIBLE ASSETS

Certain externally purchased software packages are recognised as intangible assets in the Balance Sheet, having a net carrying amount of £214k and £39k for 2019-20 and 2020-21 respectively.

12.1.4 IFRS 13 FAIR VALUE MEASUREMENT – SURPLUS ASSETS

The fair value of the Council's surplus assets were £2.628m and £2.248m as at 31 March 2020 & 2021 respectively. Significant unobservable (Level 3) inputs were used to arrive at these valuations.

Valuation Techniques

The fair value of the Council's surplus property is measured annually at each reporting date. All valuations are carried out internally in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and the CIPFA Code and guidance.

The appropriate valuation techniques were used during the year to value the Surplus assets for which sufficient data was available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The difference year on year is due to additional assets being declared surplus, terms being re-negotiated or sales not proceeding, disposals, therefore, more reliance has been placed on level 3 unobservable inputs.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Properties:

Significant observable inputs – level 3

The Fair Value has been based on comparable evidence, external advice and similar sales agreed. Therefore, the level of unobservable inputs are significant, leading to the properties being



categorised at Level 3 in the Fair Value hierarchy. Changes in market conditions will result in increases and decreases in the Fair Value.

Highest and Best Use of Surplus properties

In estimating the fair value of the Council's Surplus properties, the highest and best use of the properties has been considered.

12.1.5 CAPITAL EXPENDITURE AND FINANCING

12.1.5.1 CAPITAL EXPENDITURE IN YEAR

The amount of capital expenditure incurred in the year is shown in the table below together with the resources which have been used to finance it.

	2019-20 £000	2020-21 £000
Capital Expenditure Analysed by Services:		
Education	10,308	17,658
Social Services	113	2,814
Transport	7,593	7,097
Housing – H.R.A.	9,527	10,170
Housing – Council Fund	2,238	1,021
Culture & Related Services	1,024	1,443
Development	3,868	8,437
Environmental	4,817	1,095
Corporate	2,652	2,132
	42,140	51,867
Assets Acquired Under Finance Leases in the Year	7	6
Capital Investment	42,147	51,873
Representing:		
Fixed Assets Property Plant & Equipment	36,518	47,316
Sunk Costs Property Plant & Equipment		
Intangible Assets	356	22
Loans & Advances	1,270	1,253
Gross Revenue Expenditure Funded from Capital Under Statute	4,003	3,282
	42,147	51,873
Financed by:		
Loans/Supported Borrowing	9,325	555
Unsupported Borrowing/LGBI	930	394
Capital Grants & Other Contributions	20,868	41,815
General Fund Reserves & Receipts Applied	11,017	9,103
Finance Leases	7	6
	42,147	51,873



12.1.5.2 CAPITAL FINANCING REQUIREMENT

The capital financing requirement represents the external financing required, after taking into account grants, capital receipts and internal funds applied in respect the long-term capital investment made by the Council.

	2019-20 £000	2020-21 £000
Capital Financing Requirement as at 1 April	236,119	237,545
Movements in Year		
Increase/(Decrease) in Supported Borrowing (Local & Central Taxation)	1,419	(4,982)
Assets Acquired/Disposed of Under Finance Leases	7	6
Capital Finance Requirement as at 31 March	237,545	232,569
In Year Movement		
Capital Investment:		
Property Plant and Equipment Prior Year Reversal	-	-
Property Plant and Equipment	36,518	47,316
Intangible Assets	356	22
Loans & Advances	1,270	1,253
Revenue Expenditure Funded From Capital Under Statute	4,003	3,282
Sub-total	42,147	51,873
Prior Year Adjustment	-	-
Total	42,147	51,873
Sources of Finance:		
Capital Receipts	(812)	(2,379)
Set Aside Capital Receipts	(1,861)	(297)
Government Grants and Other Contributions	(20,868)	(41,815)
Finance Lease Disposals	-	-
Sums Set Aside From Revenue:		
- Direct Revenue Contribution	(10,205)	(6,724)
- Minimum Revenue Provision	(6,975)	(5,634)
- Miscellaneous adjustment	-	-
	(40,721)	(56,849)
Increase/(Decrease) in Capital Financing Requirement	1,426	(4,976)



12.1.5.3 CAPITAL CONTRACT COMMITMENTS

The following represents amounts committed under major works contracts. £1.932m has been accrued in the 2020-21 accounts.

The major commitments under capital contracts at the 31 March are:	2019-20 £000	2020-21 £000
Education	7,165	37,334
Social Care	1,011	578
Transport	1,470	2,594
Housing – H.R.A.	1,119	8,346
Housing – Council Fund	263	193
Culture & Related Services	238	978
Development	1,412	6,282
Environmental	1,294	1,551
Corporate	1,239	2,285
	15,211	60,141

Delivery of the capital programme for 2020-21 was delayed as a result of The Covid-19 pandemic. Schemes had been committed however progress was slow. Education commitments have increased due to the commencement of the 21st Century Schools Band B programme and due to restricted access to HRA properties, HRA commitments were not fulfilled in year. The increase in the Development commitments are as a result of the ongoing work at Western Quayside, Haverfordwest and Withybush Foodpark.

12.2 PRIVATE FINANCE INITIATIVE

12.2.1 P.F.I. ARRANGEMENTS

During 2000-01 the Council entered into a Private Finance Initiative scheme to facilitate the provision of a new Primary School and office facility at Pembroke Dock. The 30-year agreement was signed on 1 June 2000 with an initial capital outlay of £8.9m. The cost in the year for the serviced facility was £1.50m. Future commitments over the life of the contract are estimated to be £12.7m.

Towards the end of the existing agreement period, the Council must exercise an option that will determine whether or not the asset is returned to the Council.

The Council has been working with Local Partnerships in respect of terminating the PFI and it served a 12 month termination notice on the Pembroke Dock PFI contract on 27 July 2020 with the contract now due to terminate on 27 July 2021.

12.2.2 VALUATION DEPRECIATION AND IMPAIRMENT

The asset has been valued, depreciated and impaired in accordance with the Council's accounting policies.

12.2.3 PFI TRANSACTIONS

12.2.3.1 MOVEMENT IN PFI ASSET VALUES

	2019-20 £000	2020-21 £000
Cost or Valuation		
At 1 April	10,060	10,447
Additions	127	202
Disposals	-	-
Reclassifications	260	-
Revaluations	-	744
At 31 March	10,447	11,393
Depreciation & Impairments		
Depreciation	(958)	(1,186)
Impairment	(229)	(375)
At 1 April	(1,187)	(1,561)
Depreciation Charge for Year	(228)	(223)
Impairment Losses for Year	(146)	(202)
Revaluation:		
W/O Accumulated Depreciation	-	1,145
W/O Accumulated Impairment	-	617
As at 31 March	(1,561)	(224)
Balance Sheet Amount at 31 March	8,886	11,169

The above value is included within the Other Land and Buildings category on the Balance Sheet.

12.2.3.2 VALUE OF PFI DEFERRED LIABILITY

	2019-20 £000	2020-21 £000
Liability		
Balance Sheet Amount at 1 April	(6,418)	(6,129)
Capital Element Repaid	289	315
Balance Sheet Amount at 31 March	(6,129)	(5,814)

12.2.3.3 PFI LIFECYCLE COST PREPAYMENT

	2019-20 £000	2020-21 £000
Prepayment		
Balance Sheet Amount at 1 April	(1,597)	(1,731)
Lifecycle Payment In Year	(261)	(269)
Lifecycle Non-Enhancing Expenditure In Year	127	81
Balance Sheet Amount at 31 March	(1,731)	(1,919)



12.2.3.4 OBLIGATIONS RELATING TO PFI ASSETS

	Liability	Interest	Service Charge*	Lifecycle Replacement*	Total Oblig'n
	£000	£000	£000	£000	£000
Obligations 2021/22	346	531	239	67	1,183
Obligations 2022/23 - 2025/26	1,746	1,765	957	268	4,736
Obligations 2026/27 - 2030/31	3,292	1,096	1,196	336	5,920
Obligations 2031/32 – 2035/36	430	23	359	101	913
Obligations 2036/37 – 2040/41	-	-	-	-	-
Total Obligation At 31 March 2021	5,814	3,415	2,751	772	12,752
Total Obligation At 31 March 2020	6,129	3,977	2,990	839	13,935

*Estimated at current prices

12.3 LEASE AND LEASE TYPE ARRANGEMENTS

12.3.1 COUNCIL AS LESSEE

The Council has acquired various assets under finance leases which are reported under Property, Plant and Equipment in the Balance Sheet.

The Council has operating lease commitments of £571k and £513k for 2019-20 and 2020-21 respectively.

The minimum lease payments due under Finance Lease arrangements are £940k and £929k at 31 March 2020 and 31 March 2021 respectively.

12.3.2 COUNCIL AS LESSOR

The Council has a gross investment in property it leases out comprising of the minimum lease payments expected to be received over the remaining lease terms and the residual value anticipated for the properties when the leases come to end.

Finance lease debtors are not material as consideration payments totalling £890k were made at the inception of the agreements. No liability is therefore outstanding.

Anticipated receipts from operating leases running up to 999 years is £14,454k.

Receipts Due	Payments Receivable 2021-22 £000	Payments Receivable 2022-23 - 2025-26 £000	Payments Receivable Post 2026 £000	Total £000
Finance Leases				
Gross investment in leases	-	-	-	-
Minimum lease receipts*	-	-	14	14
Operating Leases				
Minimum aggregate lease payments	1,626	3,092	9,737	14,454

* Finance lease income is based on peppercorn rentals received over a period of ~999 years.



12.4 INVENTORIES

The Council did not undertake any construction contracts for third parties during the year.

	Building & Engineering Stores	Culture Enviro & Planning	Catering	Other	Total
	£000	£000	£000	£000	£000
Balance at 31 March 2020	889	455	119	55	1,518
Purchases	2,568	422	809	205	4,004
Recognised as an expense in year	(2,676)	(362)	(826)	(232)	(4,096)
Balance at 31 March 2021	781	515	102	28	1,426

12.5 INVESTMENTS

The investments are shown in the Balance Sheet at amortised value which allows for equalisation of the return on the principal sum over the life of the investment.

The market (fair) value reflecting the proceeds if the investments had been realised at 31 March 2021 was £58.1m. The corresponding fair value of investments at 31 March 2020 was £41.7m.

Fair Value has been calculated using the Net Present Value (NPV) approach which provides an estimate of payments in the future in today's terms.

The Council does not hold the following categories of financial assets – “available-for-sale” or “at fair value through profit and loss”.

Investments (Loans & Receivables)	Amortised Value 31 March 2020 £000	Maturity Value			Interest Accrued in Year £000	Amortised Value 31 March 2021 £000	Fair Value 31 March 2021 £000
		1 April 2020 £000	Move-ment In Year £000	31 March 2021 £000			
Short Term (under 12 months)							
Money Market	39,238	39,198	9,835	49,033	16	49,049	49,035
	39,238	39,198	9,835	49,033	16	49,049	49,035
Cash Equivalent							
Money Market	2,420	2,420	6,612	9,032	-	9,032	9,033
Total Investments	41,658	41,618	16,447	58,065	16	58,081	58,068



12.6 DEBTORS AND CREDITORS

12.6.1 DEBTORS AND PREPAYMENTS

All amounts included as assets are shown at market (fair) value.

	Net 1 April 2020	Gross 31 March 2021	Impairment Allowance	Net 31 March 2021
	£000	£000	£000	£000
Amounts falling due after one year:				
Mortgages	-	-	-	-
Other Loans	3,556	3,573	-	3,574
Debts Against Estates	1,296	1,430	-	1,430
	4,852	5,003	-	5,004
Amounts falling due in one year:				
Trade Receivables	10,575	38,050	(3,012)	35,038
Prepayments	2,225	3,535	-	3,535
Other Receivable Amounts	27,132	32,902	(5,339)	27,563
	39,932	74,487	(8,351)	66,136

The increase in debtors and prepayments is primarily due to the impact that Covid 19 has had upon the general economy. Where previously the Council has been able to pursue arrears due to temporary legislation this option has not been available. There have been increases in arrears across all services but especially Property rental, NNDR and Council Tax.

12.6.2 CREDITORS

The fair value of trade and other payables is taken to be the invoiced or billed amount.

	Balance 31 March 2020				Balance 31 March 2021			
	Short Term Creditors	Revenue Grants Receipts in Advance	Capital Grants Receipts in Advance	Total Creditors	Short Term Creditors	Revenue Grants Receipts in Advance	Capital Grants Receipts in Advance	Total Creditors
	£000	£000	£000	£000	£000	£000	£000	£000
Amounts falling due in one year:								
Trade Payables	(14,837)	(210)	(5,218)	(20,265)	(21,617)	(265)	(6,759)	(28,641)
Other Payables	(8,488)	(685)	(2,682)	(11,855)	(17,159)	(3,004)	(6,813)	(26,976)
	(23,325)	(895)	(7,900)	(32,120)	(38,776)	(3,269)	(13,572)	(55,617)
Loan Interest				(1,249)				(1,079)
Loans Maturing within One Year				(8,437)				(1,692)
Total Creditors				(41,806)				(58,388)

The increase in creditors has a number of contributory factors, including an increase of grant receipts in advance of £8.0m. A timing difference resulting in a £4.4m creditor to Inland Revenue and a £6.3m week 53 creditor payment run paid in 2021-22. There has also been an increase of £0.6m due to the Council managing Direct Payments.

12.6.3 GRANTS RECEIPTS IN ADVANCE

These are grants that have been received in advance and cannot be applied until the terms of the grant have been complied with when the grant will be recognised as income.

	Balance at 1 April 2020	Change in amount where conditions expected to be satisfied in < 1 year	Applied in Year Conditions Met	Returned / Accrual Reversed in Year Conditions Not Met	Received In Year Conditions Outstanding	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000
Current Liability:						
Revenue Grants						
• General Fund	(895)		895		(3,269)	(3,269)
• HRA	-	-	-	-	-	-
Capital Grants						
• General Fund	(7,900)		627		(6,299)	(13,572)
• HRA	-	-	-	-	-	-
Total	(8,795)	-	1,522	-	(9,568)	(16,841)

A breakdown of the Grants Receipts in Advance is highlighted in the tables below:

Capital Grants Receipts in Advance	2019-20 £000	2020-21 £000
Current Liabilities		
WG - Home Improvements	(1)	(1)
WG - Town Centre	(2,128)	(3,628)
WG - Witherbush Food Park	-	(1,757)
Contribution to Group Repair Schemes	(179)	(185)
S106 Developers Contributions	(4,303)	(5,809)
Other Capital Grants & Contributions	(1,289)	(2,192)
Total Current Liabilities Capital Grants Receipts in Advance	(7,900)	(13,572)

Revenue Grants Receipts in Advance	2019-20 £000	2020-21 £000
Current Liabilities		
Education & Childrens' Services	(278)	(560)
Adult Social Services	(112)	(311)
Culture, Environment & Planning Services	(108)	(350)
Highways & Transport Services	(49)	(165)
Central & Corporate Services	(325)	(1,860)
General Fund Housing & HRA	(23)	(23)
Total Current Liabilities Revenue Grants Receipts in Advance	(895)	(3,269)



12.7 CASH AND CASH EQUIVALENT

	Balance 31 March 2020 £000	Balance 31 March 2021 £000
Cash at bank / in hand	(1,963)	(1,908)
Bank Call Accounts	2,420	9,032
Cash overdrawn	-	-
Total Cash and Cash Equivalents	457	7,124

12.8 ASSETS HELD FOR SALE

	2019-20 £000	2020-21 £000
Balance outstanding at start of year	338	-
Assets classified as Held for Sale during year	3,057	951
Revaluation gains / losses	-	-
Assets sold	(3,395)	(601)
Balance outstanding at end of year:	-	350

12.9 PROVISIONS AND CONTINGENT LIABILITIES AND ASSETS

12.9.1 PROVISIONS

The Council undertakes a degree of self-insurance and annually contributes an amount to the provision to meet the cost of claims settled.

	2019-20			2020-21		
	Insurance £000	Other £000	Total £000	Insurance £000	Other £000	Total £000
Brought Forward at 1 April	(1,748)	-	(1,748)	(1,984)	-	(1,984)
Cost of Claims Charged To Services	553	-	553	440	-	440
Less : External Reimbursement	(53)	-	(53)	(9)	-	(9)
Other	-	-	-	-	-	-
Charged To Provision	500	-	500	431	-	431
Contributions & Transfers In Year	(736)	-	(736)	(893)	-	(893)
Balance Carried Forward at 31 March	(1,984)	-	(1,984)	(2,446)	-	(2,446)



12.9.2 CONTINGENT LIABILITIES

- Mutual Municipal Insurance ceased writing insurance business on 30 September 1992 and an arrangement was put in place in 1994 to ensure an orderly run off. In the event of it becoming clear that a solvent run off was unlikely to be achieved, it was identified that a Scheme of Arrangement would be triggered which would pass some of the liability to repay old claims to the Council.

The Scheme was triggered on 13 November 2012 and the Authority has paid levies totalling £343,000 to date under the scheme. Further levy increases may be required but the liability is not certain, this element has not been included in the accounts, and is not expected to be material.

- For a decade the Authority has acted as a collection agent on behalf of Dwr Cymru in respect of Housing Revenue Account (HRA) Tenants water and sewerage charges. In return for this service the Authority has received a commission which has been treated as an income stream to the HRA. The treatment of this arrangement has been called in to question due to a Court ruling during 2015-16 (Kim Jones versus London Borough of Southwark) which ruled that Local Authorities collecting water rates via the HRA were doing so as a water supplier and not as an agent of the water supplier. Traditionally this has been viewed as an agency arrangement, but the Court ruling concludes that the Authority concerned was acting as a water supplier, which has significant financial implications for those affected, both in terms of the agency fee and where action has been taken against rent arrears that could be deemed to include water rates. On 27 October 2020 in *The Mayor & Burgesses of the Royal Borough of Kingston-Upon-Thames v Moss* [2020] EWCA Civ 1381 the Court of Appeal upheld a High Court ruling in favour of a Council tenant who alleged his local authority landlord was unlawfully overcharging its tenants for their water supplies. In order to limit this potential liability, the Council entered into a new agreement with the water supplier from 1 April 2017, which ensures that it is acting as an agent.
- The Council is working collaboratively with the fire service to mitigate the fire tolerance levels at some of its low level blocks of flats, some are leased and others are within the HRA portfolio. Mitigation work is ongoing as flats become vacant. There is the potential for this to be a material issue for the HRA, as it could encompass 100 front doors and 37 cupboard doors totalling £135k.
- Whilst Brexit has happened, its impact on the Council is unknown until all exit arrangements, e.g. trade deals and trade agreements, are confirmed.
- Ongoing review by Audit Wales into the lawfulness of the settlement agreement payment to the former Chief Executive. Impact on the Council unknown until review concluded.

12.9.3 CONTINGENT ASSETS

None.

12.10 LONG TERM BORROWING

12.10.1 ANALYSIS OF LOAN TRANSACTIONS IN YEAR

Under the relevant financial reporting standards, in order to ascertain the amortised value of the loan portfolio as reported in the Balance Sheet, the maturity value of loans is adjusted to take account of accrued interest due and a financial adjustment is made to smooth out the effect of any stepped interest or premiums and discounts.

Amortised Value	2019-20 £000	Market Loans £000	WG £000	PWLB £000	2020-21 £000
Maturity Value	(204,348)	(40,000)	(1,052)	(161,880)	(202,932)
Financial Adjustment Account Entries					
Effective Interest Rate Adjust					
• Prior years	(465)	(568)	90	-	(478)
• Current year	(13)	5	(6)	-	(1)
Deferred Liabilities Account Entries					
Discounts Transferred	(200)	(200)	-	-	(200)
Less Discount write down					
• Prior years	20	23	-	-	23
• Current year	2	1	-	-	1
Council Fund Account Entries					
Effective Interest Rate w/off	(8)	(8)	-	-	(8)
Amortised Value	(205,012)	(40,747)	(968)	(161,880)	(203,595)

12.10.2 COMPARISON OF MATURITY VALUE AND FAIR VALUE

The fair value is an estimate of what the loan portfolio would cost to redeem as at 31 March 2021. Fair Value has been calculated using the Net Present Value (NPV) approach which provides an estimate of payments in the future in today's terms. The PWLB debts has been valued using the new borrowing rate.

Maturity Value and Fair Value	2019-20 £000	Market Loans £000	WG £000	PWLB £000	2020-21 £000
Maturity Value					
As at 1 April					
Long Term Borrowing	(202,785)	(40,000)	(938)	(163,409)	(204,347)
Short Term Borrowing	(2,049)	-	(62)	(8,375)	(8,437)
Total Borrowing	(204,834)	(40,000)	(1,000)	(171,784)	(212,784)
Repaid in Year	2,049	-	81	8,374	8,455
Raised in Year	(10,000)	-	(295)	-	(295)
As at 31 March					
Long Term Borrowing	(204,348)	(40,000)	(1,052)	(161,880)	(202,932)
Short Term Borrowing	(8,437)	-	(162)	(1,530)	(1,692)
Total Borrowing	(212,785)	(40,000)	(1,214)	(163,410)	(204,624)
Change in amount due in less than 1 year	(6,326)	-	(100)	6,845	6,745
Fair Value	(290,438)	(68,548)	(1,108)	(230,198)	(299,854)

The Council does not hold financial liabilities at fair value through profit and loss.



The Authority has used a transfer value as the method for calculating the fair value of its financial liabilities at the 31 March 2021. However for comparison calculating fair value using exit pricing would have resulted in a value of £354.92m calculated on an early repayment discount rate method. The Authority has no contractual obligations to pay these penalty costs and would not incur any additional cost if the loans run to their maturity date.

An analysis of the debt portfolio by maturity value by lender and by maturity profile at 31 March 2021 is shown within note 12.13.3.2.

12.11 DEFERRED LIABILITIES

These are liabilities that will not be settled within a twelve month period.

	Balance at 1 April 2020 £000	Incurred In Year £000	Released In Year £000	In Year PV Adjustment £000	Balance at 31 March 2021 £000
S. Care Debts Against Estates	(1,296)	(1,249)	1,092	24	(1,429)
Private Finance Initiative (PFI)*	(6,129)		315		(5,814)
Finance Leases (Property)	(160)				(160)
Finance Leases (Equipment)	(9)	(6)	5		(10)
Total	(7,594)	(1,255)	1,412	24	(7,413)

* The Council has been working with Local Partnerships in respect of terminating the PFI, serving a 12 month termination notice on the Pembroke Dock PFI contract on 27 July 2020.

12.12 USABLE RESERVES

	2019-20 £000	2020-21 £000
Earmarked Reserves (see note 11.2.1)	(44,343)	(66,261)
Capital Receipts and Contributions (see note 11.2.2)	(11,984)	(11,867)
Total	(56,327)	(78,128)

12.13 UNUSABLE RESERVES

The transactions in the unusable reserve accounts are summarised below followed by detail for each reserve account.

	Balance at 1 April 2020 £000	Movement in Year £000	Balance at 31 March 2021 £000
Deferred Capital Receipts Reserve	-	-	-
Capital Adjustment Account	(349,899)	(67,273)	(417,172)
Revaluation Reserve	(137,065)	(27,104)	(164,169)
Financial Instruments Adjustment Account	719	(86)	633
Accumulated Absences Account	1,716	(240)	1,476
Pensions Reserve	251,238	13,826	265,064
PFI Lifecycle Reserve	(1,731)	(188)	(1,919)
Unusable Reserves Total	(235,022)	(81,065)	(316,087)

12.13.1 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 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.

	2019-20 £000	2020-21 £000
Balance 1 April	(356,871)	(349,899)
Amounts Set Aside To Repay Debt		
- Minimum Revenue Provision	(6,975)	(5,634)
- Reserved Capital Receipts	(1,861)	(297)
- Use of Capital Receipts to fund revenue transformation activity (Capital Directive)	(812)	(2,379)
Financing of Expenditure on Fixed Assets:		
- Capital Fund applied	(6,025)	(5,241)
- Other Funds applied	(4,180)	(1,483)
- Capital Grants & Contributions credited to CI&E applied to capital financing	(17,681)	(38,534)
Income & Expenditure Statement Charges:		
- Write down of Net Revenue Expenditure Funded from Capital Under Statute	816	-
- Amount Provided for Depreciation	21,254	21,097
- Non-Enhancing Expenditure	12,217	14,250
- Impairment	1,015	4,097
- Revaluation Loss	14,737	3,928
- Revaluation Gain used to reverse previous Revaluation Loss	(3,172)	(55,097)
- Write down of Deferred Liability	150	1,242
Fixed Asset Movements:		
- Disposals	3,519	1,320
Revaluation Reserve Movements:		
- Amounts written off	(6,030)	(4,542)
Balance Carried Forward 31 March	(349,899)	(417,172)

12.13.2 REVALUATION RESERVE

The Revaluation Reserve was established in April 2007 and accounts for increases in the value of Property, Plant and Equipment; gains prior to 1 April 2007 were accounted in the Capital Adjustment Account. The balance is reduced when assets with accumulated gains in the reserve:

- suffer a downward revaluation or are impaired
- are depreciated as their economic benefit is consumed
- are disposed of and the gain is realised



	2019-20 £000	2020-21 £000
Balance Brought Forward at 1 April	(142,067)	(137,065)
Revaluation Gains	(7,328)	(16,171)
Downward revaluation and impairment*	6,300	(15,475)
Surplus/Deficit on revaluation of non-current assets not charged to the surplus/deficit on the provision of services	(1,028)	(31,646)
Write off excess current value depreciation over historical cost depreciation	-	4,230
Write off excess current value impairment over historical cost impairment	4,144	-
Write off balance re asset disposals	1,886	312
Write off balance re miscellaneous assets (e.g. scrapped and demolished assets)	-	-
Total Written Off	6,030	4,542
Category Transfers	-	-
Balance Carried Forward at 31 March	(137,065)	(164,169)

* Where there is no previous valuation gain, losses are charged to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement

12.13.3 FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

This account contains the differences between the maturity value of investments and borrowing and the Balance Sheet value measured on an amortised cost basis.

It is also used to manage premiums paid and discounts received on the early redemption of loans which are charged / released over time to the General Fund in accordance with statutory arrangements for spreading the burden on Council Tax.

	2019-20 £000	2020-21 £000
Balance 31 March	901	719
Prior Year Adjustment	(107)	-
Balance 1 April	794	719
Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the Council Fund Balance		
Effective interest rate adjustment	13	1
Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the Council Fund Balance for the year		
Write down of deferred discounts	-	-
Write down of deferred premiums	(88)	(87)
Balance 31 March	719	633



12.13.3.1 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council approves annually in advance of each financial year Treasury Management and Investment Strategies which set out limits and criteria for borrowing and investment for the following financial year with the aim of minimising the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. No investment or borrowing limits were exceeded during the financial year.

The economic impact of the Covid-19 pandemic presents challenges to the financial services industry and its institutions. No additional borrowing has been required however the Money Market Funds have been utilised to strengthen liquidity, whilst ensuring security and yield.

Credit Risk

This is the risk of failure by a third party to meet its contractual obligations under an investment, borrowing or other sources of project financing. The risk is minimised through the Annual Treasury and Investment Strategies.

Investment Credit Risk

It is the policy of the Council to place deposits only with a limited number of high quality Banks and Building Societies, whose credit ratings are constantly reviewed by the Council using independent market data provided by the Council's Treasury Advisers. The amounts invested are restricted to prudent and affordable amounts as set out in the approved Strategy. No collateral is held for these transactions.

The credit quality of the counterparties is regarded as being at the lower end of the risk rankings, however, as the banking crisis has shown, credit ratings cannot always be relied upon. Nonetheless, there has been no renegotiation of terms with counterparties and the Council expects full repayment, including all interest earned on the due date of all deposits placed with its counterparties, accordingly there is no impairment to report.

Credit Exposures

The Council constantly reviews its credit income collection performance and ensures it has made sufficient allowance for any bad debts that might occur.

The overdraft facility the Council has in place with its bankers is very rarely utilised and the credit risk exposure is extremely low.

Liquidity Risk

This is the possibility that a third party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party.

The Council has on-line access to monitor its bank transactions and prepares detailed daily, weekly and yearly cash flow forecasts which should ensure that cash shortfalls do not occur.

In any event the Council can borrow from the Public Works Loans Board as well as having in place an agreed overdraft facility with its bankers. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial loan instruments or any other liability.



Market Risks

This is the possibility that the value of an instrument will fluctuate. The key market risks identified are:

Interest Rate Risk

The Council is exposed in the following way to the uncertainty of interest paid/received on variable rate instruments and in respect of any new borrowing required and investments made in any year:

- The Council maintains a significant debt and investment portfolio. To limit re-financing risk the Council's policy is to try and ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. Where, because of an inherited debt position, this is more difficult an optimum time for refinancing will be sought.
- Changes in interest rates will not impact on the Balance Sheet for the majority of assets and liabilities held at amortised cost, but will impact on those held at fair value. The fair value of fixed rate financial assets will fall if interest rates rise and the fair value of fixed rate financial liabilities will rise if interest rates fall.
- Increases in rates will potentially increase investment income and the cost of borrowing and vice versa. The extent at any one time depends upon the composition and maturity profile of the investment and loans portfolios and the relativity of borrowing and investment rates. If interest rates had been 1% higher at 31 March 2021 the net financial effect would be increased interest income of £627k.

Price Risk

The Council's Treasury Management Strategy allows the Authority to invest in money market funds up to the approved limits. Robust monitoring ensures any adverse market price exposure is minimised.

Foreign Exchange Risk

The Council has the following exposure to movement in exchange rates:

- The Council has two grant aided schemes where the grant is denominated in Euros, Bucanier and Ancient Connections. A Euro Bank account is open to support these schemes. The Council is the lead body for both grants in which the grants are claimed in euros for all parties, including Pembrokeshire. Although the Council redistributes the grant received to all parties in euros the Council is exposed to exchange risk on their remaining element. There was no balance on the Euro account as at 31 March 2021.
- As set out in The Treasury Management Governance Arrangements the Council acknowledge their pursuit for "Value for Money" for all their treasury activities and in addition there is a project risk register. As at the 31 March 2021 there was a debtor of £258k relating to grant outstanding, therefore the exchange rate risk is immaterial.

12.13.3.2 ANALYSIS OF LOANS PORTFOLIO AT MATURITY VALUE BY LENDER AND BY MATURITY

Profile at 31 March 2021

Due for Redemption Within:	1 Year £000	1-2 Years £000	2 to 5 Years £000	5 to 10 Years £000	Over 10 Years £000	Total 2020-21 £000
Market Loans	-	-	-	-	40,000	40,000
WG	162	161	486	405	-	1,214
PWLB	1,530	1,032	15,094	20,754	125,000	163,410
Total	1,692	1,193	15,580	21,159	165,000	204,624
Fixed rate	1,692	1,193	15,580	21,159	150,000	189,624
Variable rate	-	-	-	-	15,000	15,000
Total	1,692	1,193	15,580	21,159	165,000	204,624

12.13.3.3 ANALYSIS OF INVESTMENT PORTFOLIO AT MATURITY VALUE BY CREDIT EXPOSURE AND BY MATURITY PROFILE AT 31 MARCH 2021

Due for Realisation Within :	1 Year £000	2 Years £000	5 Years £000	Total 2020-21 £000
Specified Investments (duration when made less than 364 days)				
Banks & Building Societies	58,065	-	-	58,065
Local Authorities	-	-	-	-
Non Specified (duration when made greater than 364 days)	-	-	-	-
Total	58,065	-	-	58,065
Fixed rate	40,000	-	-	40,000
Variable rate (Call Accounts)	18,066	-	-	18,066
Total	58,066	-	-	58,066

12.13.4 ACCUMULATED ABSENCES ACCOUNT

This account represents the cost of paid absence entitlement due but not taken at 31 March which is charged to the cost of services in the Comprehensive Income and Expenditure Statement and is reversed out in the Movement in Reserves Statement and charged to this account to comply with statutory requirements.

	2019-20 £000	2020-21 £000
Balance 1 April	1,230	1,716
Settlement or cancellation of preceding year's accrual	(1,230)	(1,716)
Accrual for current year	1,716	1,476
Balance 31 March	1,716	1,476



12.13.5 PFI LIFECYCLE RESERVE

This reserve comprises of an amount to reflect the prepayment made to the PFI contractor in respect of life cycle costs which remains unused at 31 March. For details see note 12.2.3.3.

12.13.6 PENSIONS RESERVE

The Pensions Reserve relates to the Dyfed Pension Scheme (see note 10.4) and 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 debit balance on the Pensions Reserve reflects the shortfall at a point in time between the benefits earned by past and current employees and the resources in terms of pension fund assets required to meet them. The statutory arrangements for managing the Fund should ensure that funding will have been set aside by the time the benefits come to be paid.

	2019-20 £000	2020-21 £000
Balance 1 April	177,954	251,238
Remeasurements of Pension Liabilities and Assets	51,571	(5,040)
Reversal of items chargeable to the surplus/ deficit on the provision of services in the Comprehensive Income and Expenditure Statement	36,766	33,875
Employers pension contributions and other direct payments in the year	(15,053)	(15,009)
Balance 31 March	251,238	265,064

13.0 HOUSING REVENUE ACCOUNT (HRA)

Transactions relating to Council Housing are shown below in accordance with the Code requirements.

13.1 MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This Statement shows the adjustment made to the (Surplus)/Deficit on the HRA Income and Expenditure Statement, as measured under IFRS, to ensure that only the costs required by statute are charged to tenants.

	2019-20		2020-21	
	HRA Working Balance	Earmarked HRA Reserves	HRA Working Balance	Earmarked HRA Reserves
	£000	£000	£000	£000
Balance 1 April	(752)	(4,460)	(752)	(5,597)
(Surplus) / Deficit On HRA Services	(207)	-	(45,508)	-
Adjustments between Accounting Basis and Regulatory Funding Basis.				
Amounts included in HRA Income and Expenditure required by regulation to be excluded to arrive at the funding position				
- Depreciation, impairment & revaluation of Council dwellings & infrastructure	(11,426)	-	29,229	-
- Capital Grants treated as revenue income	4,626	-	5,393	-
- Net gain or loss on disposal of non-current assets	2	-	2	-
- Pension Cost Adjustment	(1,489)	-	(1,639)	-
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position:				
- Provision for repayment of debt	1,545	-	1,545	-
- Revenue contribution to finance capital	4,858	-	4,756	-
- Employer's contribution to the Dyfed Pension Fund	619	-	688	-
Net (Increase) / Decrease Before Transfers (To) / From Reserves	(1,265)	-	39,974	-
Transfers (To)/ From Reserves	1,472	(1,137)	5,534	(5,024)
(Increase) / Decrease In Year	207	(1,137)	45,508	(5,024)
Balance 31 March	(752)	(5,597)	(752)	(10,621)

13.2 HRA INCOME AND EXPENDITURE STATEMENT

This statement shows the adjustments from the account used for resource allocation and rent setting purposes to that showing the economic cost, as defined by International Financial Reporting Standards, of providing the Council Housing Services administered by the Council.

	2019-20			2020-21		
	Rent Setting £000	Adjusts £000	IFRS Report £000	Rent Setting £000	Adjusts £000	IFRS Report £000
Income						
Rents: Dwellings (gross)	(23,674)	-	(23,674)	(24,400)	-	(24,400)
Other	(373)	-	(373)	(370)	-	(370)
Charges for services and facilities	(445)	-	(445)	(353)	-	(353)
Contributions towards expenditure	(620)	(14)	(634)	(533)	(12)	(545)
Total Income	(25,112)	(14)	(25,126)	(25,656)	(12)	(25,668)
Expenditure						
Repairs and maintenance (Pensions IAS19 adj)	9,276	265	9,541	5,943	251	6,194
Supervision and management (Pensions IAS19 adj)	4,049	410	4,459	4,167	404	4,571
Rents, rates, taxes & other charges	20	-	20	25	-	25
Bad debt provision	514	-	514	607	-	607
Depreciation, impairment & revaluation movements of non current assets	-	11,426	11,426	-	(29,229)	(29,229)
Debt management costs	10	-	10	10	-	10
Total Expenditure	13,869	12,101	25,970	10,752	(28,574)	(17,822)
HRA services share of corporate and democratic core	78	-	78	78	-	78
HRA Services share of non distributed costs	-	-	-	-	-	-
Net Cost / (Income) of HRA Services	(11,165)	12,087	922	(14,826)	(28,586)	(43,412)
HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement						
Interest receivable	(34)		(34)	(11)	-	(11)
Minimum Revenue Provision	1,545	(1,545)	-	1,545	(1,545)	-
Interest payable (including debt redemption premiums and discounts)	3,323		3,323	3,002	-	3,002
Appropriations to Reserves (Gains)/Loss on HRA assets	6,331	(6,331)	-	10,290	(10,290)	-
Major Repairs Allowance & Other Grants		12	12	-	10	10
		(4,626)	(4,626)	-	(5,393)	(5,393)
Pensions interest costs and expected rate of return		196	196	-	296	296
(Surplus) / Deficit for Year on HRA Services	-	(207)	(207)	-	(45,508)	(45,508)



13.3 NOTES TO THE HRA STATEMENTS

13.3.1 HOUSING STOCK

The Council was responsible for the maintenance and management of an average stock of 5,640 dwellings and 1,075 shops and garages in 2020-21 comprising of:

	Stock at 1 April 2020	Additions	Transfers	Sales / Demolitions	Stock at 31 March 2021
Houses / Bungalows	4,359	2	-	(3)	4,358
Bedsits and Flats	1,281	1	-	-	1,282
Shops and Garages	1,075	-	-	-	1,075
Pumping Stations & Treatment Works	27	-	-	-	27
Total Stock	6,742	3	-	(3)	6,742

Note: HRA disposals are transferred to Held for Sale prior to sale but are shown as Sales in this note.

13.3.2 RENTS – DWELLINGS

This is the total rent income due for the year after an allowance has been made for empty properties etc. Weekly rents were increased by 2.7% (CPI of 1.7% + 1%) in 2020-21 plus variable increases of up to 70p per week (52 weeks) for properties that were under Welsh Government Target Rent Levels. (No properties are above target rent levels). The average opening un-rebated rent collectable being £85.22. Individual rent increases applied varied between £1.55 and £3.58 per week (52 weeks). In addition to annual rent increases, properties which become void are re-let at target rent levels, this has a considerable impact on average rent level calculations, due to the high number of voids each year, and should be taken into consideration when looking at the comparative figures for 2019-20 which are 2.4% plus transitional amount between £1.00 and £1.60 per week and £81.92 respectively.

Tenants & Former Tenants	2019-20 £000	2020-21 £000
Gross Arrears	1,945	2,457
Bad Debt Allowance	(1,263)	(1,758)
Net Arrears at 31 March	682	699

13.3.3 SERVICES CHARGES

Welsh Government require Service Charges to be de-pooled from rents. During 2020-21 tenants were charged for all services received with the exception of Grounds maintenance services. Individual tenants were charged between £0.13 and £32.43 per week. 1,074 PCC tenants were charged for services with the average weekly charge being £4.84 per week (52 weeks). The number of properties reduced in 2020-21 due to the decommissioning of Maes Ingli Sheltered Housing.

13.3.4 VALUATION OF HRA ASSETS

Council Housing is included in the Balance Sheet on the basis of existing use for social housing which shall be derived by discounting the market value by a factor reflecting the difference between commercial and social rents.



13.3.4.1 HRA LAND PURCHASE

In 2020-21 there was no HRA Land purchased. The HRA did purchase 3 houses to supplement the the existing stock holding of Council Houses to meet housing needs.

- 7b Shoulder of Mutton - 1 Bed Flat
- 7 Coronation Avenue, Haverfordwest - 3 Bed Semi-detached House
- 8 Ridgeway View, St Florence - 2 Bed Bungalow

Property Plant & Equipment

Owned Assets	Council Housing £000	Other HRA Land & Buildings £000	Infra-structure £000	Council Housing Assets £000
Cost or Valuation				
At 1st April 2020	268,438	9,166	9,215	286,819
Opening bal category adjustment from L&B		33		33
Adj opening bal	268,438	9,199	9,215	286,852
Additions	5,272	3,174	1,725	10,171
Derecognition - disposals	-	-	-	-
Derecognition - other	-	-	-	-
Revaluation Acc Dep & Imp w/o to GCA	(17,017)	(1,352)	-	(18,369)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	4,991	2,499	-	7,490
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	38,279	30	-	38,309
Reclassifications - PPE & Investment	-	-	-	-
Reclassifications - Held for Sale	(305)	-	-	(305)
At 31st March 2021	299,658	13,550	10,940	324,148
Depreciation & Impairments				
Depreciation	(13,655)	(880)	(1,191)	(15,726)
Impairment	(72,246)	(286)	(452)	(72,984)
At 1st April 2020	(85,901)	(1,166)	(1,643)	(88,710)
Depreciation Charge for 2021-21	(3,435)	(193)	(212)	(3,840)
Impairment Losses to RR	(7)	(44)		(51)
Impairment Losses to Surplus/Deficit on the Provision of Services	(4,989)	(83)	-	(5,072)
Disposals:				
~ W/O Accumulated Depreciation	-	-	-	-
~ W/O Accumulated Impairment	-	-	-	-
Revaluations				
Revaluation Acc Dep w/o to GCA	17,010	1,074	-	18,084
Revaluation Acc iMP w/o to GCA	7	278	-	285
Reclassifications				
~ Transfer Accumulated Depreciation b/fwd	-	-	-	-
~ Transfer Accumulated Impairment b/fwd	-	-	-	-
At 31st March 2021	(77,315)	(134)	(1,855)	(79,304)
Balance Sheet Amount at 31st March 2021	222,343	13,416	9,085	244,844
Balance Sheet Amount at 1st April 2020	182,537	8,000	7,572	198,109



13.3.5 HRA CAPITAL EXPENDITURE AND RECEIPTS

Total Capital Expenditure Funded by:	2019-20 £000	2020-21 £000
Major Repairs Allowance Grant	3,990	3,987
Capital Grants & Contributions	679	1,428
Capital Receipts	-	-
Capital Fund	4,858	4,756
Total	9,527	10,171
Receipts From Asset Disposals	1,878	380

13.3.6 HRA PENSION COSTS

HRA pension contributions of £655k from the Pension Reserve were made in accordance with Accounting Policy 8.8 as set out in the Statement of Accounting Policies.



14.0 OTHER ACCOUNTS PREPARED OR CONTROLLED BY THE COUNCIL

The Council operates trust funds for Education & Children's Services, Social Care, Tenby Swimming Pool and Welsh Church Act Fund representing total accumulated funds of £3.7m in 2019-20 and £4.6m in 2020-21. Included within the 2020-21 balance is £0.6m in relation to Direct Payments. The management of Direct Payments has been brought back into the Council's control during 2020-21 and the £0.6m refers to accumulated funds held on behalf of the recipients' accounts that are directly controlled by the Council.



15.0 EVENTS AFTER THE REPORTING PERIOD

The Council has been working with Local Partnerships in respect of terminating the PFI contract, and it served a 12 month termination notice on the Pembroke Dock PFI contract on 27 July 2020, with the contract now due to terminate on 27 July 2021.

The Swansea Bay City Deal Pembroke Dock Marine agreements between the Council and the four delivery partners were signed on 2 July 2021.

Cabinet on 28 June 2021 approved formal submission of the Swansea Bay City Deal Skills and Talent business case to the Portfolio Management Office.

Discussions are ongoing at July 2021, but it is anticipated that ERW will cease on 31 August 2021 and a new partnership of Pembrokeshire, Carmarthenshire and Swansea Councils will commence from 1 September 2021.

In April 2021 a VAT return error was identified relating to 2020-21. HMRC issued a penalty which was suspended for 1 month. All suspension conditions have been met.