



PEMBROKESHIRE COUNTY COUNCIL

ANNUAL FINANCIAL REPORT

INCLUDING STATEMENT OF ACCOUNTS

2016-17

20 July 2017

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1.0 NARRATIVE REPORT

This narrative report summarises the financial performance of the Council for 2016-17 and highlights pertinent issues appearing in the Balance Sheet at 31 March 2017.

There were no major changes to the statutory functions undertaken by the Council to impact on the accounts. Following the Compact signed between Welsh Local Government and the Welsh Government, work continues on exploring methods of delivering services on a collaborative basis with other public sector bodies, e.g. Education through Regional Working (ERW). This theme continued in the Local Government Reform White Paper, out for consultation until April 2017.

From 2014-15, the Annual Governance Statement has been produced as a separate document and is available on request or on the Council website via the following [Link](#).

1.1 SUMMARISED FINANCIAL PERFORMANCE 2016-17

The summarised financial performance is reported to Cabinet and the Corporate Overview & Scrutiny Committee on a quarterly basis throughout the year as part of the Integrated Budget, Internal Control, Business Risk Management and Performance Report, with RAG ratings used to highlight areas of higher risk. Set out in the following table and paragraphs is the final outturn position for 2016-17, with comparable information for 2015-16 and the original estimates for 2016-17 approved by Council for resource allocation and used for Council Tax setting purposes. Also highlighted are any key issues appearing in the accounts as at 31 March 2017.

1.1.1 REVENUE EXPENDITURE

Revenue Account	2015-16 Actual Outturn £000	2016-17				
		Estimate		Actual		
		Original Estimate £000	Q3 Projected Outturn £000	Gross Expend £000	Income £000	Net Expend £000
Education Services	86,227	87,116	87,142	108,348	(21,172)	87,176
Social Care - Children's Services	13,069	12,969	13,068	17,566	(4,401)	13,165
Social Care - Adult Services	44,431	44,666	45,085	66,956	(21,256)	45,700
General Fund Housing	1,024	1,037	1,147	37,192	(36,366)	826
Council Housing	-	-	-	21,974	(21,974)	-
Highways & Transportation Services	7,764	8,043	8,005	19,446	(11,500)	7,946
Culture & Related Services	6,680	6,673	6,818	11,662	(4,956)	6,706
Planning Services	2,047	1,776	1,917	6,111	(4,053)	2,058
Environmental Services	10,931	11,202	11,270	19,202	(8,024)	11,178
Central Services to the Public	9,324	9,275	9,272	10,407	(1,135)	9,272
Corporate & Democratic Core*	5,136	3,899	3,659	3,402	(117)	3,285
Non-Distributed Costs*	(895)	419	252	853	(595)	258
Court Services	216	225	229	248	(24)	224
Invest to Save / Transformation	-	(400)	230	239	(239)	-
Net Cost of Services	185,954	186,900	188,094	323,606	(135,812)	187,794
Levies	7,037	7,021	7,021			7,021
Interest & Investment Income	(609)	(509)	(535)			(560)
Capital Financing Costs	11,346	8,732	8,531			8,567
Total	203,728	202,144	203,111			202,822
Financed By:						
Revenue Support Grant and Special Grant	(124,377)	(119,578)	(119,578)			(119,578)
NNDR	(35,668)	(37,316)	(37,316)			(37,316)
Council Tax	(43,683)	(45,250)	(45,250)			(45,928)
	(203,728)	(202,144)	(202,144)			(202,822)

* Restated to include contribution of surplus to reserve in 2015-16

Copies of the Council's estimate and monitoring reports can be found on the website by searching the Cabinet documents at www.pembrokeshire.gov.uk.

1.1.2 Commentary on the 2016-17 Revenue Performance

The Council again set the lowest council tax in Wales (£841.10 band D property) and spent £202.8m broadly in line with the projected outturn approved in March 2017. The working balance remained at £7.0m following the annual review of all Reserves held by the Authority. The external auditors, in their Final Resilience: Savings Planning report for Pembrokeshire County Council, published in December 2016, concluded that “whilst the Council is improving its financial planning framework, the pace of developing savings plans may not support future financial resilience”. This is an improved position from 2015-16, where it was concluded that “there is considerable scope to improve the council’s financial planning, management and decision making arrangements if they are to continue to serve the Council well in addressing the financial challenges it faces in 2015-16 and beyond”.

Net appropriations to capital reserve and earmarked reserves totalled £21.0m, further details of which are set out within note 1.4.5.3.

1.1.3 Service Specific Issues

All service specific issues and commentary are shown in the County Council Budget [Outturn Monitoring Report](#) as reported to Cabinet 12 June 2017.

1.1.4 Implications and Risks

It is not anticipated that there are any unbudgeted commitments or liabilities arising from 2016-17 that the Council cannot meet.

There has been a cumulative funding gap of £41.5m for the period 2014-15 to 2016-17. For 2016-17 there was a funding gap of £16.3m, to be bridged by cost reductions/efficiencies of £13.8m and additional council tax of £2.5m. £11.8m of the planned cost reductions/efficiencies were achieved during 2016-17 with a further saving of £1.3m made from stringent budgetary control and a moratorium on non-essential expenditure during quarters 3 and 4. The council tax target of £2.5m was achieved with additional council tax received contributing to the shortfall in achievement of the cost reductions/efficiencies.

The Medium Term Financial Plan for 2017-18 to 2020-21 was approved by Council on 2 March 2017 and contained a projected funding gap of £45.3m based on reductions in AEF of 3.0% per annum (most likely scenario). This situation could be exacerbated by any further reductions in AEF on top of those projected and any significant increases in demographic pressures. The main risk is that future cost reductions/efficiencies and projected Transformation Programme savings are not achieved.

1.2 COUNCIL HOUSING (HOUSING REVENUE ACCOUNT)

The summarised financial performance for Council Housing is reported to Cabinet and the Corporate Overview & Scrutiny Committee on a quarterly basis throughout the year as part of the Integrated Budget, Internal Control, Business Risk Management and Performance Report, with RAG ratings used to highlight areas of higher risk. Set out in the following table and paragraphs is the final outturn position for 2016-17, with comparable information for the previous year 2015-16 and the original estimates for 2016-17 approved by Council for resource allocation and used for rent setting purposes. Also highlighted are any key issues appearing in the accounts as at 31 March 2017.

Housing Revenue Account	2015-16 Actual Outturn £000	2016-17		
		Original Estimate £000	Q3 Projected Outturn £000	Actual Outturn £000
Income				
Rents - Dwellings	(19,825)	(20,355)	(20,455)	(20,564)
Other	(1,225)	(1,254)	(1,382)	(1,410)
Total Income	(21,050)	(21,609)	(21,837)	(21,974)
Expenditure				
Management & Maintenance	10,923	11,995	11,664	11,563
Appropriations to Capital	3,973	3,335	3,904	4,281
Reserves				
Negative Subsidy	(3)	-	-	-
Capital Financing Costs	6,054	5,837	5,883	5,882
Other	103	442	386	248
Total Cost	21,050	21,609	21,837	21,974

The Housing Revenue Account working balance remains unchanged at £752,000.

Rents were increased by 1.4%(CPI -0.1% plus 1.5%) plus £1.00 per week for 2016-17, subject to the rent levels being below target rent.

1.2.1 Implications and Risks

The 30 year HRA Business Plan (BP) is revised annually and submitted to Welsh Government in support of the bid for Major Repairs Allowance (MRA) Grant. This is required to maintain the Welsh Housing Quality Standard (achieved March 2013) and undertake further improvements. The BP is predicated on the continued receipt of the MRA Grant and various other planning criteria (the number of Council house sales and various economic factors).

The financial costs and benefits of leaving the HRA subsidy system are reflected in the BP along with the additional revenue streams afforded from service charge de-pooling and the continued transition to target rent levels set by Welsh Government in the Housing (Wales) Act 2014.

After applying inflationary increases to rent, Tenants whose rent fell below target rent levels were charged up to an extra £1.00 per week. Whilst generating additional rental income for the Authority, this has the potential to have a significant impact on Tenants and their ability to pay their rent. This situation will continue in the medium term due to the large number of properties below target rent and the expected length of time for all properties to harmonise with the target rent levels.

Rent arrears at the end of 2016-17 were £652k, £65k more than the end of 2015-16, albeit the level of rent arrears has reduced by £25k from a December 2016 high of £677k. This is largely due to

the effects of welfare benefit reform and the increase in rent levels, which are affecting tenants' ability to pay. It is anticipated that this will continue in the long term as rents continue to rise to WG target levels and the effects of universal credit on tenants are seen when it is introduced.

Following consultation with Tenants and Members, the process of Service Charge De-pooling commenced from April 2015. Following a phased introduction of service charges we have de-pooled all required areas with the exception of grounds maintenance charges due to the complexity that surrounds charging for this service. A decision on how to proceed will be made in 2017-18. Assumptions on expected service charge income streams are included within the BP submitted for MRA purposes.

1.3 CAPITAL INVESTMENT

The Council's capital investment policy is centred around the provision of high quality business and other facilities together with the rationalisation and improvement of its infrastructure and building stock. Capital investment totalled £52.6m compared to an estimated programme of £56.1m. Where delays to schemes have occurred, the projects and the associated funding provision have been carried forward.

1.3.1 Capital Expenditure & Funding

The 2016-17 expenditure and 2017-18 capital investment plans are summarised as follows:

	2016-17		2017-18
	Latest Approved Programme	Actual Expenditure	Original Estimate
	£000	£000	£000
Expenditure			
Education (including 21st Century Schools Programme)	31,910	34,154	55,446
Social Care	725	694	172
Highways & Transportation	6,904	5,038	6,253
Housing - H.R.A.	8,206	6,657	12,954
Housing – General Fund	1,835	1,412	1,174
Culture & Related Services	1,321	1,064	3,453
Planning & Development	2,337	737	3,849
Environmental	1,239	1,013	1,198
Corporate	1,648	1,820	1,263
Total Expenditure	56,125	52,589	85,762
Financing			
Capital Grants & Contributions	17,312	23,060	36,131
Capital Receipts & Capital Fund	34,630	26,038	7,582
Earmarked Reserves	4,183	3,491	3,069
Borrowing	-	-	38,980
Total Financing	56,125	52,589	85,762

1.3.2 Implications and Risks

The Council's 21st Century School investment programme remains a key issue in the financial planning process. An investment of £149.9m had been provisionally agreed with Welsh Government over the period from 2013-14 to 2018-19. This has now been reduced to £121.6m to reflect a programme that is considered deliverable within the time frame.

Welsh Government will provide 50% support for the programme via two sources of funding - £45.6m in the form of capital grant which will be claimed over the period of the Programme and the Local Government Borrowing Initiative (LGBI), a revenue grant for a period of 30 years used to finance loan borrowing of £15.2m.

LGBI grant is fixed and therefore increases in interest rates will reduce the amount of borrowing supported. This could potentially result in a funding shortfall which will need to be met by the Authority.

The implications of these proposals have been modelled in the revised 4 year Medium Term Financial Plan 2017-18 to 2020-21.

1.4 ASSETS & LIABILITIES

1.4.1 Fixed Assets

The Council's fixed asset portfolio was valued at £677m as at 31 March 2017 compared to £661m as at 31 March 2016.

Fixed assets acquisitions in the year were made for consideration of £4.4m. This figure is included in the total additions value of £51.1m with the remaining value relating to construction costs or work relating to existing assets.

Asset disposals realised £1.8m in respect of non-council housing and £1.1m in respect of council house sales. At 31 March 2017, surplus assets awaiting disposal have an estimated value of £7.2m, of which £2.4m is estimated as being likely to be sold within the next 12 months.

Impairment of £0.4m was charged in the year to represent dilapidation of buildings and demolition of assets.

1.4.1.1 Implications and Risks

The risks associated with the valuation and usage of the assets are:

- the useful life of the asset is under/over estimated
- resources are not available to maintain assets and the useful life is shortened
- the property market revival stalls resulting in an increasing portfolio of surplus assets
- the economic activity worsens resulting in vacant commercial properties
- the asset disposals forecast for reinvestment in future capital projects do not occur in the assumed time periods or generate the anticipated capital receipts.

1.4.1.2 Fixed Asset Portfolio

	31 March 2017
Council Housing Property	Numbers
Dwellings	4,378
Flats and Bedsits	1,277
Shops	21
Garages	1,055
Treatment Works	21
Pumping Stations	6
Other Land and Buildings	
Education & Children Services Buildings	
Primary Schools*	62
Secondary Schools*	8
Special Schools	1
Pupil Referral Units	1
Community Centres	3
Professional Education Centre	1
Youth Centres	6
Family Centres	4
Respite Care Homes (LD)	1
Social Services Buildings	
Day Centres	5
Homes for the Elderly	3
Sheltered Workshop	1
Social Activity Centres	3
Supported Accommodation	1
Housing Services	
Homeless Hostels	1
Gypsy Traveller Sites	5
Highways Roads & Transport Services	
Airport	1
Car Park	89
Multi Storey Car Park	2
Other Car Parks (No Parking Order)	14
Cultural Environment & Planning Services	
Leisure Centres and Swimming Pools**	10
<p>*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 £12m.</p> <p>** The gross carrying value of the Tenby Pool area of Tenby Leisure Centre (approx £1.6m) is held in trust and included in the Balance Sheet. It is also reported separately as part of the Tenby Pool Trust accounts. The asset is recorded in the figures above.</p> <p>The number of assets in some categories have changed due to the ongoing re-categorisation exercise being undertaken by the Property and Asset Management Service.</p>	

Other Land and Buildings cont...	31 March 2017
Cultural Environment & Planning Services cont...	Numbers
Surf Rescue Centres	3
Libraries	9
Museums	5
Public House/ Hotel	1
Picnic Site / Amenity Area	1
Playing Field	1
Woodland	1
Tourist Attractions	1
Tourist Information Centres	2
Civic Amenity Sites	6
Crematorium	1
Cinema	1
Depot	5
Boat Yard	5
County Farms	47
Development Land	20
Electricity Sub-Station	8
Garage Site (Non-HRA)	12
Grazing Land	42
Harbour	2
Harbour Stores, Offices & Cafés	37
Industrial Estates	17
Industrial Plots	64
Industrial Units	154
Land & Buildings Leased to the Community	41
Market	3
Miscellaneous Property	4
Mortuary	1
Offices	7
Public Conveniences	74
Shops	7
Stores	14
Science and Technology Park	1
Training Centre	1
Yacht Clubs	2
Youth Hostel	1
Other Land	75
Other Buildings	2
Vacant Properties	8
Central & Support Services	
Administrative Buildings	9
Archives	1

	31 March 2017
Plant Vehicles & Equipment	Numbers
Large Plant	47
Vehicles	317
Equipment	108
Infrastructure	
Toll Bridge	1
Bus Shelter	83
Slipways/Pontoons & Landing Stages	16
Pumping Stations	13
Community Assets	
Allotment	18
Cemetery	14
Common Land	3
Community Centre	1
Footpath	16
Foreshore	1
Gardens	25
Historic Buildings	1
Nature Reserves	4
Parks & Open Land	10
Picnic Sites / Amenity Areas	17
Play Areas	47
Playing Fields	22
Pond / Lake	2
Woodland	22
Heritage Assets	
Artefacts	10
Historic Buildings	11
Memorials	31
Assets under Construction	
21st Century Schools	5
Miscellaneous Property	1
Surplus Assets	
Former Education Assets	6
Other Land	8
Other Buildings	14
Assets Held for Sale	
Former HRA Assets	-
Non HRA Assets	-

1.4.2 Other Long Term Assets, Current Assets and Current Liabilities

A decrease in Bad debt provisions of £1.2m has been made in the year resulting in a total provision of £4.2m made against debtors valued at £27.7m.

No other issues have been identified in relation to the impairment of other long-term or current assets.

1.4.2.1 Implications and Risks

No issues have been identified regarding the settlement of current liabilities.

1.4.3 Pensions Liability

The Authority participates in two pension schemes - the Dyfed Pension Fund and the Teachers Pension Fund.

1.4.3.1 Dyfed Superannuation Scheme, which is administered by Carmarthenshire County Council, is a funded defined benefit scheme to which both employees and the Authority as employers pay contributions. From April 2014 pensions are based upon career average salary as opposed to final salary pensions (for the post April 2014 element only).

The scheme is subject to statutory triennial actuarial valuations to ensure that the fund can meet future obligations, the last valuation having taken place in 2016. The Dyfed Fund has seen an increase in its net deficit. A pension liability of £155.5m was recorded at 31 March 2017 (compared to £106.0m at 31 March 2016). The share of the pension liability relating to Pembrokeshire County Council, was £155.4m at 31 March 2017, with the remainder relating to Education through Regional Working (ERW). It is not anticipated that there is any cause for concern at this stage, as the actuarial assumptions used to calculate the balance sheet position are complex, meaning that the actual payments could differ to this. The position will be recovered in the longer term with the Fund able to meet its commitments. Reasons for the increase for Pembrokeshire County Council are the outcome of the triannual actuarial valuation, the job evaluation exercise completed in 2016-17, an increase in the number of active members, an increase in actual salaries, and increase in the number of current pensioners and dependants, more than anticipated pensioner deaths in service and more ill health retirements, than anticipated three years ago.

1.4.3.2 Implications and Risks

Under the signed Compact between Welsh Local Government and the Welsh Government, one of the proposed policy reviews involved considering the number and organisational structure of pension funds in Wales.

Auto-enrolment of staff in the Scheme has been introduced during 2017.

The major risks facing the Council relate to:

- the overall number of contributors to the fund relative to the number of pensioners falling significantly resulting in higher employer contribution rates
- any consequential increase in employer contribution rates arising from the reforms outlined above or poor economic performance of the Dyfed Fund investments.

A new all Wales Pensions investment pool is to be created as a result of a National UK agreement with the Treasury department to increase the size of the investment funds and reduce administration costs. The all Wales fund will be administered by Carmarthenshire County Council and will take effect from April 2018. The new fund will be responsible for investing the funds of the current 8 LG pension funds. Each existing pension fund within the all Wales pooled investment fund will continue to be able to set its own investment criteria and strategies."

1.4.3.3 Teachers Pension Scheme

The scheme is administered by the Department for Education. 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.

1.4.3.4 Implications and Risks

The Government introduced reforms to Teachers pensions from April 2015. Future pensions will be based around career average pension as opposed to final salary pensions.

The major risk facing the Council relates to:

- The consequential increase in employer contribution rates arising from the falling contributor to pensioner ratios and from the reforms outlined above.

1.4.4 Long Term Borrowing & Financing Costs

The Capital Financing Requirement is the measure of the Council's external debt limit for capital expenditure purposes and the basis for the amount of debt redemption charged to the revenue account every year. The level of external debt must not exceed this in the longer term.

New loans totalling £5.4m were taken towards the end of the year, to take advantage of advantageous interest rates secured by Welsh Government to fund the 21st Century Schools Programme.

1.4.4.1 Implications and Risks

Prudential Indicators

The prudential indicators are intended to ensure that the costs of borrowing to finance the capital investment made by the Council is both affordable and sustainable in terms of the impact on future council tax and housing rent levels. The table below shows the ratio of financing costs to net revenue is fairly constant and that debt is aligned with the Capital Financing Requirement.

	2015-16	2016-17			2017-18
	Actual	Estimate	Revised Estimate	Actual	Estimate
Ratio Of Financing Costs To Net Revenue Stream	%	%	%	%	%
Gross					
- Council Fund	4.8	4.8	4.6	4.7	4.9
- HRA*	27.8	26.4	27.0	26.7	25.4
Capital Financing Requirement	£m	£m	£m	£m	£m
Council Fund	127.2	134.8	124.7	124.6	155.0
HRA*	82.1	83.3	80.4	79.4	84.8
Total	209.3	218.1	205.1	204.0	239.8
Net Movement	77.3	3.7	(4.2)	(5.3)	34.7
External Debt at 1 April	£m	£m	£m	£m	£m
External Borrowing	119.0	198.2	198.3	198.3	196.8
Other Long Term Liabilities	7.6	7.4	7.4	7.4	7.1
Repaid in Year					
External Borrowing	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Other Long Term Liabilities	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
New Borrowing in Year					
External Borrowing*	80.7	4.0	-	5.4	30.0
Other Long Term Liabilities	-	-	-	-	-
Gross External Debt at 31 March	205.6	207.9	203.9	209.3	232.1
* Includes HRA subsidy system exit settlement of £80.7m which took effect 2 April 2015					

The Medium Term Financial Plan and Treasury Management Strategy set out the affordability and sustainability indicators relating to planned capital investment levels in future years.

Treasury Management Strategies, Indicators and Limits

Local Authorities are required to produce a Treasury Management Strategy and an Annual Investment Strategy having regard to CIPFA's Code of Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Government.

In 2016-17 the Council continued to operate under a low risk investment strategy. The low level of general economic activity and measures taken to counter the recession resulted in a continuation of reduced interest receipts on investments. As in previous years, the Council has received in full or expects to receive in full on the due dates repayment of all deposits placed with its counterparties together with the interest due.

The limits and indicators, approved under the Treasury Management & Investment Strategies, as set out below were complied with in the year.

Interest Rate Indicators	2016-17			2017-18
	Original Estimate	Revised Estimate	Actual	Estimate
	%	%	%	%
Average Rate of Borrowing (including long term liabilities)	5.39	5.41	5.41	5.21
Average Rate of New Borrowing	3.50	-	2.25	3.00
Average Investment Return	0.85	0.74	0.65	0.60
Treasury Management Limits				
Interest Rate Exposure Net Outstanding Principal	£m	£m	£m	£m
Upper Limit On Fixed Interest Rate Exposure	220	220	220	240
Upper Limit On Variable Interest Rate Exposure	(80)	(80)	(80)	(100)
Borrowing Limits *	£m	£m	£m	£m
Authorised Limit	260	260	260	270
Operational Boundary	254	254	254	260
Limits On Debt Maturity**	2016-17		2017-18	
	Upper	Lower	Upper	Lower
	%	%	%	%
Under 12 months	40	-	35	-
12 months to 2 years	35	-	35	-
2 to 5 years	35	-	35	-
5 to 10 years	35	-	35	-
10 years and above	90	25	90	25

*The Authorised Limit is an absolute limit that must not be breached and is set to allow for all possible circumstances. The Operational Boundary Limit takes account of the estimated normal day to day borrowing and long-term funding cash flows. This ensures cash requirements can be managed effectively within the parameters contained in the approved Treasury Management and Investment Strategies.

** An analysis of the debt maturity profile as at 31 March 2017 is shown within note 12.13.4.2.

Debt Repayment (MRP)

The minimum revenue provision (MRP) is the amount that must be set aside from revenue each year to repay external debt. A revised MRP policy was approved by Council on 10 March 2016, which changed the MRP repayments provision from a 4% reducing balance to a 2% straight line method as detailed below:

General Fund Debt:

- Generally for supported debt (i.e. supported by Aggregate External Finance (AEF) and Council Tax), MRP of 2% on a fixed, straight line basis, calculated by reference to the General Fund Capital Finance Requirement (Long Term Debt) adjusted by regulation as at 1 April each year.
- Generally for unsupported debt (i.e. supported by Council Tax only), an amount calculated by dividing the outstanding debt by the remaining useful life of the asset and to which additional amounts may be added, effective from 1 April each year, if deemed appropriate.
- Any other basis considered prudent in respect of a particular project or asset having regard to the guidance issued by the Welsh Government and the Code of Practice on Local Authority Accounting 2016-17.
- No MRP shall be made for monies deposited under the Pembrokeshire Local Authority Mortgage Scheme on the basis that any deposits made are 100% refundable.

Housing Revenue Account (HRA) Debt:

- MRP 2% provision on a reducing balance basis, based on the HRA Capital Finance Requirement adjusted by regulation as at 1 April each year.
- Any other basis considered prudent in respect of a particular project or asset having regard to the guidance issued by the Welsh Government and the Code of Practice on Local Authority Accounting 2016-17.

1.4.5 Usable Reserves and Balances

Council agreed a revised Strategy for Holding and Utilising Reserves on 10 March 2016, as part of its budget setting process.

1.4.5.1 General Fund & Housing Revenue Account Working Balances

Working balances (General Fund £7.0m and Housing Revenue Account £0.75m) are maintained to meet day to day operational eventualities.

1.4.5.2 Earmarked Reserves

As well as the statutory reserves required by the Code of Practice on Local Authority Accounting 2016-17, the Council maintains the reserves as detailed below as part of the General Fund.

Earmarked reserves are controlled and managed by the Director of Finance in accordance with the Strategy for Holding and Utilising Reserves.

Earmarked reserves are used in accordance with plans included in the budget approved by Council or in exceptional circumstances to address urgent situations as deemed necessary by the Chief Executive and the Director of Finance.

The adequacy and appropriateness of earmarked reserves are assessed during the estimate and final account processes.

Capital Investment

Capital Fund - Is maintained to provide additional resources for the capital programme, providing flexibility to the financing of capital investment. The fund is fully committed to meet the cost of the planned capital investment.

21st Century Schools - To earmark funding to meet the cost of the Council's share of the 21st Century Schools Programme.

Risk Management

Insurance & Risk - The reserve is maintained to meet the Council's exposure to claims under its insurance arrangements, to provide flexibility to meet the volatility of the insurance market and to provide resources to take any measures required to improve the Council's risk exposure position.

Annual contributions are made by services to the reserve and contributions are made from the reserve to the claims provision or service revenue accounts to meet the cost of identified and quantified claims or other appropriate expenditure.

Winter Maintenance - The reserve is maintained to meet the costs arising from the measures that may be required to combat the effects of severe weather.

Asset Renewal & Repair

Property & Equipment - The reserve is maintained for the renewal and major repair of the Council's property and equipment. Annual contributions are made by services to the reserve.

Carriageway Reconstruction - The reserve is used to provide flexibility between financial years in the maintenance of roads, bridges and other municipal assets.

Vehicles & Plant - The reserve is maintained for the renewal and major overhaul of the vehicle and plant fleet. Contributions including annual depreciation costs, which are levied on users departments as part of the overall charges for use of the assets, are made to the reserve. The cost of replacing the vehicles and plant are financed from the reserve.

Cleddau Bridge - The reserve is maintained to meet the cost of the major upgrading and overhaul to the bridge and its associated structures. Further details are reported in note 10.3.1.

West Wales Crematorium - The reserve to meet the cost of the major repair and upgrading of the Crematorium facilities.

Equalisation Reserves

Elections - The reserve is maintained to equalise the 5-yearly cost of County Council election administration.

Social Care Reorganisation - The reserve is maintained to provide flexibility within this demand led service and to mitigate substantial in-year movements.

Education Reorganisation - The reserve is maintained to meet the one-off costs associated with any Education reorganisation.

Transformation Reserves

Invest to Save - The reserve is maintained to provide resources to allow the Council to invest in the transformation of its services and to realise future cost reductions/efficiencies.

Service Reconfiguration - The reserve is maintained to provide resources to meet the one-off costs associated with any service reconfiguration.

Service Delivery

Planning - The reserve is maintained to accumulate funds towards the costs of the local development plan and any other costs arising from public enquiries etc.

County Farms Compensation - The reserve is maintained to pay end of Tenancy Compensation payments.

Regeneration - The reserve maintained to provide funding and facilitate the delivery of regeneration projects.

Economic Development & Tourism - The reserve is maintained to provide funding for the delivery of economic development and tourism.

Environmental Services - The reserve is maintained to provide funding and facilitate the delivery of environmental services obviating fluctuations in annual budgets.

Recycling - The reserve is maintained to provide funding and facilitate the delivery of recycling services obviating fluctuations in annual budgets, e.g. the service is vulnerable to market price fluctuations.

External Reserves

Local Authority Mortgage Scheme - The reserve has been established to cover potential future defaults on the indemnified mortgages.

Joint Arrangements - The reserve is required under financial reporting arrangements for Public Benefit Entities and represents amounts committed to fund joint working arrangements. Further details are set out within note 10.8.4.4.

1.4.5.3 School Reserves and Balances

Working Balances

Under the Council's Local Management of Schools Scheme (L.M.S.), schools can maintain working balances. Under best practice guidance from the Welsh Government, primary school balances should not exceed £50,000 and special and secondary school balances should not exceed £100,000.

Other

Other reserves for specific purposes may be held under the L.M.S. scheme. These include the Catering SLA and Maintenance SLA reserves, School Supply Cover Insurance reserve, and the PFI, ICT and RSG equalisation reserves.

The reserve transactions are summarised below:

EARMARKED RESERVES	Opening Balance 31 March 2016 £000	Net In Year Movement £000	Balance 31 March 2017 £000
CAPITAL RESERVES			
Council Fund	(5,602)	2,018	(3,584)
HRA	(6,565)	(1,682)	(8,247)
21st Century Schools (Capital)	(22,068)	16,734	(5,334)
TOTAL CAPITAL RESERVES	(34,235)	17,070	(17,165)
OTHER EARMARKED RESERVES:			
Risk Management	(5,864)	307	(5,557)
Asset Renewal & Repair	(8,817)	633	(8,184)
Equalisation	(2,947)	660	(2,287)
Transformation	(8,701)	737	(7,964)
Service Delivery	(2,309)	308	(2,001)
External	(274)	(41)	(315)
SUBTOTAL	(28,912)	2,604	(26,308)
TOTAL EARMARKED RESERVES	(63,147)	19,674	(43,473)
Schools ISB Balances	(2,212)	924	(1,288)
Other School Related (including PFI)	(3,818)	380	(3,438)
TOTAL SCHOOLS & RELATED RESERVES	(6,030)	1,304	(4,726)

Detailed reserve transactions are set out within note 11.2.1.

1.4.5.4 Implications and Risks

If the agreed Strategy for Holding and Utilising Reserves is adhered to there are no inherent risks associated with the level of usable reserves and balances.

The ability of the Council to fund the 21st Century Schools programme and other capital improvements such as the Swansea Bay City Region and St David's City of Culture may necessitate a re-evaluation of the position in future years.

1.4.6 Provisions

The Council undertakes a significant level of self-insurance and maintains a provision to meet the cost of identified claims. For 2016-17, the provision has been calculated at £952k.

Details of provision transactions are set out within note 12.9.1.

1.4.6.1 Implications and Risks

Assurance has been received from external consultants that the level of the Risk Management (Insurance) reserve and provision established to meet liabilities arising and potential liabilities arising from past events is adequate.

1.4.7 Contingent Assets and Liabilities

The material contingent assets and liabilities for which no provision has been made in the accounts identified at 31 March 2017 are detailed within note 12.9.2 & 12.9.3.

1.4.8 Potential Future Assets and Liabilities

Under the Landfill Allowances Scheme (Wales) Regulations 2004, the Council is required to meet annual targets in respect of the amount of waste sent to landfill. Failure to meet these targets may result in financial penalties. The Council met its target for 2016-17.

Entities that operate (or have operated) a landfill site have an obligation arising from conditions in planning consents and Natural Resources Wales permits to restore a site and undertake appropriate aftercare and monitoring. This Council has never operated a landfill site. The Council uses facilities provided by the private sector which is responsible for all aftercare costs.

There are various old closed landfill sites throughout the County. No issues requiring remedial works above those already undertaken have been identified at this time. The sites are subject to an on-going risk based inspection and monitoring regime.

1.5 SIGNIFICANT INTERESTS

1.5.1 Members of the Council

The Register of Members Interests, which is open to Public Inspection, lists any financial and other personal interests.

1.5.2 Officers

Officers are required to declare potential conflicts of interest arising from employment and other arrangements.

1.6 PAYMENTS TO AUDITORS

£116k was paid to the Wales Audit Office (WAO) in 2016-17 for statutory inspections and the LG Measure. Additional payments to the Wales Audit Office for 2016-17 are outlined within note 10.7.

1.7 SICKNESS ABSENCE

The average sickness absence rate for 2016-17 was 4.7% or 10.9 days per employee.

1.8 POST BALANCE SHEET EVENTS

The following event was judged as material to the Council's financial position at 31 March 2017:

- 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. The actual contribution from Pembrokeshire County Council has yet to be confirmed.
- A Potential 21st Century Schools Band B programme of £100m will be considered by Council on 20 July 2017. Bank B would commence in April 2019.
- On 13 March 2017, Cabinet approved the City of Culture 2021 St Davids bid, deciding that a capital guarantee of £5.0m be approved to support the City of Culture 2021 Stage 1 application and that a revenue contribution of £0.8m (from Reserves) be approved over a four year period. The likelihood of success is unknown.
- The Annual Council meeting on 25 May 2017 resulted in the appointment of a new Leader and Cabinet. There has been no indication of any material change to the 2017-18 budget or MTFP 2017-18 to 2020-21 following this change.
- £532k of joint venture receipts held by Pembrokeshire County Council, previously earmarked for the development of South Quay, is to be repaid to Welsh Government following withdrawal of their support.

Any events taking place between 31 May 2017 and 20 July 2017, the date the audited Statement of Accounts will be authorised for issue by the Director of Finance, will be reported to and approved by Full Council. As at 20 July 2017 there were no such events.

2.0 AUDITOR GENERAL FOR WALES' REPORT TO THE MEMBERS OF PEMBROKESHIRE COUNTY COUNCIL

I have audited the accounting statements and related notes of Pembrokeshire County Council for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Pembrokeshire County Council's accounting 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.

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 2016-2017 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out in section 3.1, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Pembrokeshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Pembrokeshire County Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-2017.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword is consistent with the accounting statements and related notes.

Matters on which I report by exception

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

- adequate accounting records have not been kept;

- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit; and
- the Governance Statement does not reflect compliance with guidance.

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.



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

Date: 30 / 10 / 17

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 Finance.
- 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 Finance's Responsibilities

The Director of Finance is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance 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 Finance has also:

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

CERTIFICATE OF DIRECTOR OF FINANCE

The Statement of Accounts of the Pembrokeshire County Council for the year ended 31 March 2017 is contained within Sections 4-14, and is produced in accordance with the requirements of the Local Government Accounts and Audit (Wales) Regulations 2014. 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 2017 and its income and expenditure for the year ended 31 March 2017 and append my signature to the Statement in accordance with Regulation 10(1).



J HASWELL FCCA
Director of Finance

Date: 19/10/2017

REPORTING AND APPROVAL

These accounts, initially published on 5 June 2017, were reported to Full Council for approval following the conclusion of the Annual Audit on 20th July 2017. The accounts were again reported to Full Council for re-approval on 19th October 2017. The audit certificate is shown in section 2.0.

Chairman of Council



Date:

19/10/2017

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.

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. The standards introduced in the 2017-18 Code that are relevant are:

- Amendments to IFRS10 Consolidated Financial Statements
- IFRS12 Disclosure of Interests in Other Entities

There will be no impact on the 2017-18 Financial Statements.

The Statement of Accounts set out within Sections 4-14 have been prepared in compliance with the 2016-17 Code of Practice on Local Authority Accounting.

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

6.0 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ESTIMATION RISK

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.
- 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.
- The Council's commitment to the 21st Century School Band A Programme and the requirement to find match funding of £60.8m in the period 2013-14 to 2018-19 remains a key issue. Council will consider whether to submit a Band B submission of £100m on 20 July 2017. The potential requirement to find additional match funding of £50m from April 2019 would be a further issue.
- The Council's contribution to the Swansea Bay City Region over the next 15 years is yet to be confirmed.
- The Council's bid for St Davids City of Culture in 2021 and associated costs of the bid namely £5.0m capital and £0.8m revenue are identified, albeit the likelihood of success is unknown.

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
Non-Current Assets Property, Plant & Equip	Useful life Exclusion of Voluntary Controlled and Voluntary Aided Schools from Balance Sheet value	Incorrect depreciation charge Potential understatement of value by £12m.
Financial Instruments	Incorrect assumptions	Under/overcharge in the accounts
Contractual Obligations	Incorrect quantification and legal challenge	Additional charge to taxpayer at future date
Provisions	Quantification incorrect	Additional charge to taxpayer at future date
Pension Liability	Actuarial assumptions incorrect	Increased Employer Contributions at future date/ additional charge to taxpayer at future date
National Living / Minimum Wage	Assumption incorrect	Increased service & contractual costs
Welfare Reform Act	Assumptions incorrect	Increased service costs
21 st Century Schools (Band A)	Incorrect cost assumptions Interest rate increases above LGFI rates	Increased contractual costs Increased debt charge resulting in additional charge to taxpayer
Housing Rent restructure	Business plan assumptions incorrect	Additional charge to tenants at future date

Issues potentially impacting the accounts in the future:		
Item	Risk	Potential Affect
Demographic changes	Assumptions incorrect	Increased service & contractual costs
Grant Funding / BREXIT	Loss of grant from Welsh Government & Europe	Reduction in service provision
Governance	Decision not made or not made in timely manner	Budget over / under spends & loss of grant funding
Transformation / Alternative Service Delivery	Changed ways of working do not deliver assumed financial savings	Budget over / under spend Separate accounting arrangements
Welsh Language Standards	Assumption incorrect	Increased service & contractual costs
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
St David's City of Culture bid	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 Viability of Mutual Investment Model	Budget overspend Increased contractual costs Increased debt charge resulting in additional charge to taxpayer
Second Homes Council Tax	Income does not materialise at assumed levels	Budget overspend (2017-18 only)

7.0 CORE FINANCIAL STATEMENTS – COMPONENTS AND DETAIL

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

- The Expenditure and Funding Analysis – showing 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 comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices (IFRS basis) as shown in the Comprehensive Income and Expenditure Statement.
- 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:

- 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 10.8.4.4.

7.1 EXPENDITURE AND FUNDING ANALYSIS

This statement 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 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.

2015-16				2016-17		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
86,227	38,540	124,767	Education Services	87,176	6,811	93,987
13,069	608	13,677	Social Care - Childrens Services	13,165	430	13,595
44,431	1,516	45,947	Social Care - Adult Services	45,700	1,689	47,389
1,024	(170)	854	Housing Services	826	304	1,130
-	144,594	144,594	Council Housing	-	(521)	(521)
7,764	4,368	12,132	Highways & Transport Services	7,946	8,417	16,363
6,680	3,433	10,113	Culture & Related Services	6,706	4,352	11,058
2,047	5,082	7,129	Planning Services	2,058	4,275	6,333
10,931	2,761	13,692	Environmental Services	11,178	1,442	12,620
9,324	65	9,389	Central Services to the Public	9,272	85	9,357
5,136	(1,074)	4,062	Corporate & Democratic Core	3,285	1,729	5,014
(895)	1,667	772	Non-Distributed Costs	258	951	1,209
216	4	220	Court Services	224	3	227
-	-	-	Invest to Save / Transformation	-	243	243
185,954	201,394	387,348	Net Cost of Services (inc HRA) / Deficit on Continuing Operations	187,794	30,210	218,004
7,037	11,215	18,252	Other Operating Expenditure	7,021	11,995	19,016
10,737	3,288	14,025	Financing & Investment Income & expenditure	8,007	6,102	14,109
(203,728)	(31,439)	(235,167)	Taxation and non-specific grant income	(202,822)	(33,844)	(236,666)
-	184,458	184,458	Surplus or Deficit *	-	14,463	14,463
		(7,752)	Opening General Fund and HRA Balance			(7,752)
		-	less / add Surplus or (Deficit) on General Fund and HRA Balance in Year			-
		(7,752)	Closing General Fund and HRA Balance at 31 March**			(7,752)

* See Note 9.1

** 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 above.

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:

- the gross cost of insurance claims and an equivalent income amount met from internal or external insurance provisions.
- receipts under £10k arising from the sale of assets. A sum of £21k 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 £49k 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	2015-16			2016-17		
		Gross Total Cost £000	Income £000	Net Total Cost/ Expend £000	Gross Total Cost £000	Income £000	Net Total Cost/ Expend £000
Education Services**		150,679	(25,912)	124,767	117,246	(23,259)	93,987
Social Care - Childrens Services		16,024	(2,347)	13,677	17,982	(4,387)	13,595
Social Care - Adult Services		66,227	(20,280)	45,947	68,564	(21,175)	47,389
Housing Services		38,399	(37,545)	854	38,604	(37,474)	1,130
Council Housing**		84,907	(21,046)	63,861	21,380	(21,901)	(521)
HRA Subsidy Exit Settlement***		80,733	-	80,733	-	-	-
Highways & Transport Services		22,203	(10,071)	12,132	27,941	(11,578)	16,363
Cultural & Related Services		14,775	(4,662)	10,113	15,971	(4,913)	11,058
Planning Services		11,795	(4,666)	7,129	10,603	(4,270)	6,333
Environmental Services		21,253	(7,561)	13,692	20,366	(7,746)	12,620
Central Services To the Public*		11,286	(1,897)	9,389	10,491	(1,134)	9,357
Corporate & Democratic Core		5,552	(1,490)	4,062	5,620	(606)	5,014
Non Distributed Costs		1,442	(670)	772	1,940	(731)	1,209
Court Services*		247	(27)	220	251	(24)	227
Invest to Save / Transformation		-	-	-	243	-	243
(Surplus)/Deficit on Continuing Operations		525,522	(138,174)	387,348	357,202	(139,198)	218,004
Other Operating Expenditure							
Precepts & Levies	10.2			19,201			19,411
Gains & Losses on Disposal of Non-Current Assets				(949)			(395)
Financing & Investment Income and Expenditure							
Interest Payable				11,288			11,140
Interest & Investment Income				(724)			(632)
Net Pensions Interest	10.5.1			3,414			3,601
Investment Property				47			-
Taxation & Non-Specific Grant Income							
Revenue Support Grant (inc Special Grant)	10.1.1			(124,377)			(119,578)
NNDR Pool Share	10.1.2			(35,668)			(37,316)
Local Taxpayers	10.1.3			(55,847)			(58,318)
Other Non-Specific Grants	10.1.4			(1,270)			-
General Capital Grants & Contributions	10.1.5			(18,005)			(21,454)
(Surplus) or Deficit on Provision of Services				184,458			14,463
Other Comprehensive Income & Expenditure							
(Surplus)/Deficit on revaluation of non-current assets	12.13.3			36,049			(2,277)
Remeasurements of Pensions Liabilities & Assets	12.13.7			(12,853)			40,855
Total Other Comprehensive Income & Expenditure				23,196			38,578
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				207,654			53,041

**Council Dwellings and all specialised assets within Land & Buildings were revalued during 2015-16 resulting in a significant revaluation loss being recognised in the Comprehensive Income and Expenditure Statement.

***In 2015-16 the exit of the HRA Subsidy system was finalised. A one off payment of £80,733k was made to WG funded by loans secured from the Public Works Loan Board (PWLb).

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 2016-2017	General Fund Working Balance	Earm'd General Fund Reserves	HRA Working Balance	Earm'd HRA Reserves	Capital Receipts & Grants Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance 1 April 2016	(7,000)	(62,612)	(752)	(6,565)	(4,673)	(81,602)	(346,286)	(427,888)
In Year Opening Balance	-	-	-	-	-	-	(498)	(498)
Adjustments*								
Restated Balance	(7,000)	(62,612)	(752)	(6,565)	(4,673)	(81,602)	(346,784)	(428,386)
(Surplus) / Deficit On Provision of Services	14,571	-	(108)	-	-	14,463	-	14,463
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	38,578	38,578
Total Comprehensive Income & Expenditure (see 7.2.4)	14,571	-	(108)	-	-	14,463	38,578	53,041
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see 11.1)	8,202	-	(1,785)	-	2,618	9,035	(9,035)	-
Net (Increase) & Decrease Before Transfers (To) / From Reserves	22,773	-	(1,893)	-	2,618	23,498	29,543	53,041
Transfers (To)/ From Reserves	(22,773)	22,660	1,893	(1,682)	-	98	(98)	-
(Increase) / Decrease In Year	-	22,660	-	(1,682)	2,618	23,596	29,445	53,041
Balance 31 March 2017 (see 11.2.1 & 11.2.2)	(7,000)	(39,952)	(752)	(8,247)	(2,055)	(58,006)	(317,339)	(375,345)

* Restatement reflects abandoned capital costs.

Actuals 2015-2016	General Fund Working Balance	Earm'd General Fund Reserves	HRA Working Balance	Earm'd HRA Reserves	Capital Receipts & Grants Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance 1 April 2015	(6,539)	(59,801)	(752)	(6,243)	(4,621)	(77,956)	(557,487)	(635,443)
In Year Opening Balance	(461)	461	-	-	-	-	(99)	(99)
Adjustments *								
Restated Balance	(7,000)	(59,340)	(752)	(6,243)	(4,621)	(77,956)	(557,586)	(635,542)
(Surplus) / Deficit On Provision of Services	39,338	-	145,120	-	-	184,458	-	184,458
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	23,196	23,196
Total Comprehensive Income & Expenditure (see 7.2.4)	39,338	-	145,120	-	-	184,458	23,196	207,654
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see 11.1)	(42,656)	-	(145,520)	-	(52)	(188,228)	188,228	-
Net (Increase) & Decrease Before Transfers (To) / From Reserves	(3,318)	-	(400)	-	(52)	(3,770)	211,424	207,654
Transfers (To)/ From Reserves	3,318	(3,272)	400	(322)	-	124	(124)	-
(Increase) / Decrease In Year	-	(3,272)	-	(322)	(52)	(3,646)	211,300	207,654
Balance 31 March 2016 (see 11.2.1 & 11.2.2)	(7,000)	(62,612)	(752)	(6,565)	(4,673)	(81,602)	(346,286)	(427,888)

* Restatement reflects adjustment to the working balance (£461k) to reflect the reserves strategy, (£40k) ERW pension adjustment and (£59k) abandoned capital costs.

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.

Council Dwellings and all specialised assets within Land & Buildings were revalued during 2015-16 resulting in a significant revaluation loss being recognised in the Comprehensive Income and Expenditure Statement.

In 2015-16 the exit of the HRA Subsidy system was finalised. In order to cease future subsidy payments the Authority made a one off payment of £80,733k to Welsh Government. This was funded by loans secured from the Public Works Loan Board (PWLb). Under this arrangement the HRA will be significantly better off each year than if the subsidy arrangement had continued.

BALANCE SHEET AS AT 31 MARCH	Note	2015-16		2016-17	
		£000	£000	£000	£000
NON-CURRENT ASSETS:					
Property, Plant & Equipment	12				
Council Housing Property		205,910		202,127	
Other Land & Buildings		308,000		310,236	
Infrastructure		117,900		115,185	
Vehicles/Plant/Equipment		8,749		8,735	
Heritage Assets	12.1.1.6	1,451		606	
Community Assets		1,425		1,341	
Assets Under Construction	12.1.1.3	12,915		31,634	
Surplus Assets		4,586		7,154	
Fixed Assets *			660,936		677,018
Investment Property	12.1.2		965		-
Intangible Assets	12.1.4		42		153
Long Term Investments	12.5		1,000		-
Long Term Debtors	12.6.1		2,171		2,182
TOTAL LONG TERM ASSETS			665,114		679,353
CURRENT ASSETS:					
Short Term Investments	12.5	85,532		68,979	
Inventories & Works in Progress	12.4	1,137		1,225	
Short-term Debtors and Prepayments	12.6.1	22,167		23,421	
Cash & Cash Equivalents	12.7	4,587		3,527	
Assets Held For Sale	12.8	-		-	
Total Current Assets			113,423		97,152
TOTAL ASSETS			778,537		776,505
CURRENT LIABILITIES:					
Cash Overdrawn	12.7	-		-	
Other Short-term Borrowing	12.6.2	(2,778)		(2,760)	
Short-term Creditors	12.6.2	(24,400)		(22,994)	
Revenue Grants Receipts in Advance	12.6.2	(1,081)		(729)	
Capital Grants Receipts in Advance	12.6.2	(8,784)		(8,442)	
Provisions	12.9.1	(1,353)		(952)	
Total Current Liabilities			(38,396)		(35,877)
TOTAL ASSETS LESS CURRENT LIABILITIES			740,141		740,628
Long Term Borrowing	12.10.1	(197,412)		(201,333)	
Deferred Liabilities	12.11	(8,889)		(8,552)	
Net Pension Fund Liability	12.13.7	(105,952)		(155,398)	
TOTAL LONG TERM LIABILITIES			(312,253)		(365,283)
NET ASSETS			427,888		375,345
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		(73,850)		(50,254)
Unusable Reserves	12.13		(346,286)		(317,339)
TOTAL RESERVES			(427,888)		(375,345)

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
	2016 £000	2017 £000	
Cash At Bank/(Overdrawn)	-	-	-
Cash Equivalent	2,714	762	(1,952)
Cash At Bank / In Hand	1,873	2,765	892
	4,587	3,527	(1,060)

The cash flows for operating activities include the following items:	2015-16 £000	2016-17 £000
Interest Paid	10,963	11,123
Interest Received	(739)	(796)

CASH FLOW STATEMENT	2015-16		2016-17	
	£000	£000	£000	£000
Reconciliation of Comprehensive Income and Expenditure Statement to Net Revenue Cash Flow				
Net (Surplus)/Deficit on the provision of services		184,458		14,463
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation	(29,312)		(21,156)	
Impairment & downward valuations	(99,596)		(14,523)	
Movement in market value of investment properties	(142)		-	
Pension fund adjustments	(9,431)		(8,591)	
Other non cash financial instrument adjustments	(48)		(40)	
Contributions to provisions	419		264	
Carrying amount of non-current assets sold	(3,767)		(2,570)	
Other non cash movement	2		(1)	
Movements in revenue debtors, creditors, stocks etc.	(2,626)	(144,501)	7,533	(39,084)
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	4,812		3,062	
Capital Grants	18,005		21,454	
Premium paid on redemption of debt	-	22,817	-	24,516
Net Cash Flow from Operating Activities		62,774		(105)
INVESTING ACTIVITIES				
Purchase of property, plant & equipment, investment property & intangible assets	32,650		52,016	
Purchase of short term & long term investments	291,450		305,403	
Other payments for investing activities	-		-	
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(4,812)		(3,062)	
Proceeds from short term & long term investments	(286,316)		(322,816)	
Capital grants received	(16,276)		(26,749)	
Other capital cash receipts	-		-	
Net Cash Flow From Investing Activities		16,696		4,792
FINANCING ACTIVITIES				
Cash receipts of short-term & long-term borrowing	(80,733)		(5,400)	
Other receipts from financing activities	-		-	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	266		261	
Repayments of short-term & long-term borrowing	1,570		1,512	
Other payments for financing activities				
Net cash flow from financing activities		(78,897)		(3,627)
NET (INCREASE)/DECREASE IN CASH & CASH EQUIVALENTS		573		1,060
Cash & cash equivalents at the beginning of reporting period	5,160		4,587	
Cash & cash equivalents at the end of reporting period	4,587		3,527	
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		(573)		(1,060)

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 2016-17 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.

8.2.8.1 Impairment of Debts

General allowances for impaired debts shall be made in the Balance Sheet using the following guidelines (or in specific circumstances on a basis agreed with the Director of Finance).

Age of Debt	%age of debt provided
Less than 1 year	50%
1 to 2 years	90%
2 to 3 years	100%

The bad debt allowance shall be reviewed at the end of each financial year against the debts outstanding and adjustments made in the Comprehensive Income and Expenditure Statement as is appropriate.

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 Wales Audit Office 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

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 General 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 General 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.

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 General 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.
- Investment Properties 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. Assets shall be re-valued to fair value prior to being re-categorised to Investment Property or Assets Held for Sale.
- 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 who shall be 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 and Carbon Reduction Scheme

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).

9.0 NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

9.1 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Actual Expenditure 2016-17	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Education Services	4,997	1,846	(32)	6,811
Social Care - Children's Services	46	490	(106)	430
Social Care - Adult Services	947	626	116	1,689
Housing Services	209	90	5	304
Council Housing	9,612	244	(10,377)	(521)
Highways & Transport Services	8,840	393	(816)	8,417
Cultural & Related Services	4,102	378	(128)	4,352
Planning Services	3,800	283	192	4,275
Environmental Services	1,851	438	(847)	1,442
Central Services to the Public	3	124	(42)	85
Corporate & Democratic Core	1,306	213	210	1,729
Non-Distributed Costs	-	170	781	951
Court Services	-	3	-	3
Invest to Save / Transformation	-	5	238	243
Net Cost of Services (inc HRA) / Deficit on Continuing Operations	35,713	5,303	(10,806)	30,210
Other Operating Expenditure	(395)	-	12,390	11,995
Financing & Investment Income & expenditure	2	3,601	2,499	6,102
Taxation and non-specific grant income	(21,454)	-	(12,390)	(33,844)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	13,866	8,904	(8,307)	14,463

Actual Expenditure 2015-16	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Education Services	38,735	1,729	(1,924)	38,540
Social Care - Children's Services	211	541	(144)	608
Social Care - Adult Services	695	798	23	1,516
Housing Services	(303)	127	6	(170)
Council Housing	73,795	300	70,499	144,594
Highways & Transport Services	4,001	540	(173)	4,368
Cultural & Related Services	3,105	488	(160)	3,433
Planning Services	4,708	412	(38)	5,082
Environmental Services	3,058	585	(882)	2,761
Central Services to the Public	10	165	(110)	65
Corporate & Democratic Core	1,150	164	(2,388)	(1,074)
Non-Distributed Costs	-	(63)	1,730	1,667
Court Services	-	4	-	4
Invest to Save / Transformation	-	-	-	-
Net Cost of Services (inc HRA) / Deficit on Continuing Operations	129,165	5,790	66,439	201,394
Other Operating Expenditure	(949)	-	12,164	11,215
Financing & Investment Income & expenditure	43	3,414	(169)	3,288
Taxation and non-specific grant income	(18,005)	-	(13,434)	(31,439)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	110,254	9,204	65,000	184,458

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 ie 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 Differences

Other 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 NDR 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 on the Collection Fund.

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	2015-16 £'000	2016-17 £'000
Expenditure		
Employee Costs	146,941	150,319
Other Operating Costs	249,673	171,204
Support Services	-	-
Depreciation, amortisation & impairment	128,908	35,679
Interest Paid	14,702	14,741
Precepts & Levies	19,201	19,411
Gain or loss on disposal of assets	(949)	(395)
Total Expenditure	558,476	390,959
Income		
Rents, fees & charges etc*	(52,723)	(54,134)
Interest & investment income*	(677)	(632)
Income from council tax	(55,847)	(58,318)
Government grants and contributions*	(264,771)	(263,412)
Total Income	(374,018)	(376,496)
Surplus or Deficit on the Provision of Services	184,458	14,463

*restated

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 2016-17 was set by the Welsh Government at 48.6p in £1 compared to 48.2p in 2015-16. The following summarises the transactions for the year:

	2015-16 £000	2016-17 £000
Amount due from taxpayers allowing for prior year directions	61,389	60,989
Less: Allowances and other adjustments	(9,212)	(10,882)
NNDR Pool Contribution	52,177	50,107
Receipts from national pool for Year*	(35,668)	(37,316)
Net Contribution (from) / to NNDR Pool	16,509	12,791
Total Average Rateable Value (in pounds)	£127,324,937	£127,925,536
* Councils in Wales collect the amount due on behalf of the National Assembly, which in turn redistributes the pooled proceeds to the Councils on a formula basis.		

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	2015-16	2016-17
Pembrokeshire County Council	£801.04	£841.10
Dyfed Powys Police Authority	£200.07	£200.07
Average Town and Community Council	£27.90	£31.40
Tax Base Number of Band D Equivalent		
Chargeable	54,548.97	54,859.75
Collectable	53,358.22	53,798.38

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

Tax Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band D Equiv	3,455	6,272	10,640	9,648	13,310	7,675	3,120	546	190

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

Council Tax Income	2015-16 £000	2016-17 £000
Council Tax Due In Year	(56,315)	(57,936)
Less Non- collection allowance	468	(382)
Amount Due From Taxpayers Before Rebates	(55,847)	(58,318)
Allocated to:		
Dyfed Powys Police Precept	(10,675)	(10,763)
Pembrokeshire County Council	(43,683)	(45,928)
Town and Community Councils Precepts	(1,489)	(1,627)
Total	(55,847)	(58,318)

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.

	2015-16* £000	2016-17 £000
Credited to Taxation and Non Specific Grant Income		
Outcome Agreement Grant	(1,270)	-
Total Revenue Grants Credited to Taxation and Non Specific Grant Income	(1,270)	-
Credited to Services*		
DWP Subsidy Payments and Other DWP Grants	(34,082)	(33,877)
Post 16 Provision Grant	(5,301)	(4,946)
Pupil Deprivation Grant	(2,893)	(2,817)
Flying Start & Families First Grant	(4,063)	(3,890)
Education Improvement Grant	(5,475)	(5,215)
Supporting People Grant	(2,720)	(2,720)
Environmental & Sustainable Development Grant	(2,947)	(2,822)
European Community grants for Local Services	(873)	(666)
Other Grants credited to Services	(25,827)	(28,111)
Total Revenue Grants Credited to Services	(84,181)	(85,064)
Total Revenue Grants	(85,451)	(85,064)
*Figures restated to include all Grants & Contributions rather than just Government Grants and other Agencies Contributions		

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

	2015-16** £000	2016-17 £000
Grants & Contributions Received*	(86,532)	(85,793)
Grants Held In Advance Where Conditions Not Fulfilled	1,081	729
Grants & Contributions Credited As Income in Year	(85,451)	(85,064)
*Excludes grants received re Revenue Expenditure Funded from Capital Under Statute (see Note 10.4)		
**Figures restated to include all Grants & Contributions rather than just Government Grants and other Agencies Contributions		

10.1.5 Capital Grants & Contributions

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

	2015-16 £000	2016-17 £000
Credited to Taxation and Non Specific Grant Income		
General Capital Grant	(961)	(1,221)
21st Century Schools	(6,536)	(11,525)
Convergence	(1,438)	(123)
Major Repairs Allowance	(3,968)	(3,980)
Welsh Government - Transport (Local Transport Fund, Safe Routes in Communities, Local Road Safety, Bulford Road, & Southern Strategic Route)	(3,779)	(1,830)
Welsh Government - Flood & Coastal Erosion Risk Management	-	(683)
Other Grants	(1,175)	(1,767)
Developers Contributions	(148)	(325)
	(18,005)	(21,454)
Applied to Finance Capital Expenditure	(18,005)	(21,454)
Transferred to Capital Grant Unapplied Reserve	-	-
	(18,005)	(21,454)

10.2 PRECEPTS AND LEVIES

	2015-16 £000	2016-17 £000
Precepts		
Dyfed Powys Police	10,675	10,763
Town and Community Councils	1,489	1,627
Levies		
West Wales Fire and Rescue	5,983	6,036
Pembrokeshire Coast National Park	1,054	985
Totals	19,201	19,411

10.3 MEMORANDUM ACCOUNTS

10.3.1 External Trading Services

The Council, in accordance with the Service Reporting Code of Practice (Se.R.C.O.P.), has identified the following services as trading activities and they are reported accordingly for final account purposes within the Comprehensive Income and Expenditure Statement.

The following types of trading service have been identified:

- Services to the public which are of a commercial nature
- Legal requirement to keep a trading account (fee earning building regulation)
- Requirement under accounting standards to report separately (investment property)
- Services provided to schools under Service Level Agreements in a competitive environment – schools having the freedom to purchase services from other external providers and have “contracted” with respective departments of the Council to deliver the services required.

The trading account transactions are summarised in the following table. The trading (surplus) / deficit, which forms part of the Council's Comprehensive Income and Expenditure, is adjusted from the accounting basis as reported above, in the Movement in Reserves Statement to arrive at the funding basis for tax setting purposes.

External Trading Services	2015-16	2016-17		
	Net Expenditure	Turnover	Expenditure	Net Expenditure
	£000	£000	£000	£000
Highways Roads & Transport				
Cleddau Bridge *	(1,267)	(3,202)	1,826	(1,376)
Car Parks (excl CPE)**	(991)	(1,394)	1,200	(194)
Civil Parking Enforcement	(9)	(473)	420	(53)
Culture, Environment & Planning				
West Wales Crematorium***	(29)	(971)	727	(244)
Markets	110	(69)	303	234
Industrial Estates ****	(402)	(990)	808	(182)
Training**/*****	626	(754)	1,130	376
Building Regulation Chargeable	(22)	(377)	363	(14)
School SLAs				
Education				
Maintenance	-	(2,034)	2,034	-
Support & Advice	-	(151)	151	-
Mutual Supply Scheme	-	(472)	472	-
Catering	-	(5,304)	5,304	-
Music	-	(579)	579	-

* The Cleddau Bridge (CB), including Westfield Pill Bridge, is owned by the Council and is regulated by the Dyfed Act 1987 (DA) which sets out a range of statutory requirements for the setting of bridge tolls, the application of revenue (allowable expenditure), the application of interest on deficiencies and the management of a reserve fund.

The statutory accounting entries and disclosures in the Statement of Accounts (SoA) for 2016-17 are the fixed asset (£20m), two external loans (£2.0m), an earmarked reserve (£1.5m) and a trading surplus (£1.5m), after the application of notional costs for depreciation, IAS pensions, soft loans effective interest rate, the application of MRP and an appropriation from reserve). In compliance with the statutory requirements of the DA, the budgeted annual trading surpluses are not transferred to the CB earmarked reserve, but accounted for in the Council's General Fund and used to support its Highways and Transportation budget. Any surpluses over and above those budgeted are transferred to the CB earmarked reserve.

Whilst not a statutory requirement under the DA for the CB tolls to be reviewed on a regular basis, it is accepted that as a matter of good practice, they should be reviewed on a regular basis (every three years) and the decision recorded. A full review of the CB tolls was undertaken by Council in May 2016 and incorporated the full lifecycle costs and agreed financial position of the bridge.

** Revaluation movements in 2015-16 resulted in a revaluation gain realised in Car Parks and revaluation loss charged to Training.

***West Wales Crematorium has seen an increase in income during 2016-17.

****Industrial Estates have been revalued in 2016-17 resulting in a revaluation loss, income is also slightly down on the previous year.

*****Training has seen a reduction in income during 2016-17.

10.3.2 Agency Services

The Council performed trunk road works as sub-agent on behalf of Carmarthenshire County Council.

Details of the costs incurred and reimbursements received are:

	2015-16 £000	2016-17 £000
South Wales Trunk Road Agency		
Highway Maintenance *	1,539	2,773
Winter Maintenance	202	222
Street Lighting Maintenance	165	123
Public Conveniences	108	69
Amenity Grass Cutting	18	31
Amount Reimbursed by Carmarthenshire CC / SWTRA	2,032	3,218
Total Cost & Reimbursement	2,032	3,218

* Pembrokeshire County Council were requested by the Trunk Road Agency to oversee additional work on Highways during 2016-17.

10.3.3 Property Searches

	2015-16 £000	2016-17 £000
Cost of answering property queries	135	152
Income in respect of property queries	(198)	(184)
	Numbers	Numbers
Number of Requests	3,080	3,187

10.4 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.

	2015-16 £000	2016-17 £000
Expenditure in Year	1,747	1,645
Grant & Contributions Received in Year	(1,589)	(1,606)
Net Revenue Expenditure Funded from Capital Under Statute	158	39

10.5 PENSION COSTS

The Authority participates in two pension schemes:

10.5.1 The Dyfed Superannuation Scheme, which is 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 employer's contribution rate used in 2016-17 was calculated by the Fund's actuary based on the valuation as at 31 March 2013 for all employees of the County Council who are members of the scheme. An updated composite employer's contribution rate will be used from April 2017 for the next three financial years, based on the valuation of the Fund as at March 2016.

The Fund was valued as at 31 March 2016 & the results of this valuation are reflected in the 2016-17 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).

Revenue Transactions

Comprehensive Income And Expenditure Statement Entries included in Net Operating Expenditure	2015-16		2016-17	
	£000	£000	£000	£000
Interest on Pension Liabilities	18,239		19,575	
Interest on Plan assets	(14,825)		(15,974)	
		3,414		3,601
Administration Expenses		324		398
Past Service (Gain) / Cost *		23		162
Curtailment (Gain) / Loss		73		89
Settlement (Gain) / Loss		-		-
Current Service Cost		16,376		15,364
		20,210		19,614
Statement of Movement on the Council Fund Balance Entries				
Reversal IAS 19 Entries Above:		(20,210)		(19,614)
Actual Charges Paid In Year				
Actual Amount Charged For Period	9,939		10,211	
Cost of Enhancements Charged In Year	840		812	
		10,779		11,023
		(9,431)		(8,591)
Employees Contributions	5.5%-12.5%		5.5%-12.5%	
Employers Contributions	15.4%		15.5%	
* includes (gains) / costs due to change in scheme benefits				

The Dyfed Superannuation Scheme Pension Assets & Liabilities
Reconciliation of Present Value of the Scheme Liabilities

	Total Liabilities 2015-16	Funded Liabilities 2016-17	Unfunded Liabilities 2016-17	Total Liabilities 2016-17
	£000	£000	£000	£000
Liability as at 1 April	561,577	538,855	14,031	552,886
Movements in the year:				
Current Service Cost	16,284	15,364	-	15,364
Interest on Pension Liabilities	18,090	19,086	489	19,575
Member Contributions	4,029	4,130	-	4,130
Past Service (Gain) / Cost	23	162	-	162
Remeasurements (liabilities) <i>comprising of</i> :				
Experience (gain) / loss	-	(3,606)	(1,608)	(5,214)
(Gain) / Loss on financial assumptions	(31,321)	138,930	2,322	141,252
(Gain) / Loss on demographic assumptions	-	(7,581)	(205)	(7,786)
Curtailments	73	89	-	89
Settlements	-	-	-	-
Benefits / transfers paid	(15,869)	(17,020)	(812)	(17,832)
Liability at 31 March	552,886	688,409	14,217	702,626

Reconciliation of Fair Value of the Scheme Assets

	2015-16 £000	2016-17 £000
Fair Value of Plan Assets as at 1 April	452,163	446,934
Movements in the year:		
Interest on Plan assets	14,696	15,974
Remeasurements (assets)	(18,468)	87,397
Administration Expenses	(324)	(398)
Settlements	-	-
Employer Contributions	10,707	11,023
Member Contributions	4,029	4,130
Benefits / transfers paid	(15,869)	(17,832)
Fair Value of Plan Assets as at 31 March	446,934	547,228

Pension Fund Assets split by category

	31 March 2016	31 March 2017
	£000	£000
Equities	308,830	385,796
Government	42,682	53,081
Other Bonds	43,755	53,081
Property	49,789	50,893
Cash/Liquidity	895	3,283
Net Current Assets	983	1,094
Total	446,934	547,228

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 2016 actuarial valuation.

No particular events were notified to the actuary in relation to the production of the above figures.

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	2.0	2.3
Rate of increase in salaries	3.5	3.8
Rate of increase in pensions	2.0	2.3
Discount Rate	3.6	2.5
Life Expectancy (Years)		
Male future pensioner aged 65 in 20 years' time	25.7	25.0
Female future pensioner aged 65 in 20 years' time	28.2	27.8
Male current pensioner aged 65	23.4	22.8
Female current pensioner aged 65	25.9	25.5

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 30 September 2016. The corresponding split of assets at the start of the year has been calculated as at 31 March 2016.
- The actuarial assumptions used in the calculation of the year end Balance Sheet liabilities are based on the 2016 actuarial valuation assumptions, other than the financial assumptions, which are shown above.
- The above expected returns are gross of expenses. A deduction of £1,335k 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 2.5%.
- 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 2017-18 estimated employer contributions are £11,433k per the Mercer report.

Effect Over Time of Actual To Assumed Performance

Scheme History	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Present Value of Liabilities	(492,630)	(465,868)	(561,577)	(552,886)	(702,626)
Fair Value of Assets	369,149	397,957	452,163	446,934	547,228
Surplus / (Deficit) in the scheme	(123,481)	(67,911)	(109,414)	(105,952)	(155,398)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. There has been a £50m increase in liabilities this year as a result of our actuarial assumptions showing a material decrease in the discount rate, and a small increase in the inflation assumption. Gains in investment markets over the period, have led to a significant increase in the asset values. The overall impact is an increase in the deficit over the year. See section 1.4.3.1 for more details.

The total liability of £155.4m 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.

10.5.2 The Teachers Pension Scheme which 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.

Comprehensive Income & Expenditure Statement Entries	2015-16 £000	2016-17 £000
Included in Net Operating Expenditure		
Total contributions charged to the accounts	6,045	6,339
Cost of discretionary awards made in year	57	161
Employees contribution rate	7.4% - 11.7%	7.4% - 11.7%
Employers contribution rate *	14.1% - 16.4%	16.4%
* Rate was 14.1% for April 2015 to August 2015 and 16.4% for September 2015 to March 2017		

10.6 REMUNERATION DETAILS

10.6.1 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 or equivalent payments. The total contribution rate for employer pension contributions was 15.4% for 2015-16 and 15.5% for 2016-17.

Senior Officers		Gross Salary, Fees & Other Emoluments £	Employer Pension Contributions to Local Government Pension Scheme £	Benefits in kind £
Chief Executive/Returning Officer & Acting Head of Paid Services **	2015-16	145,914	22,471	8,880
Chief Executive & Returning officer	2016-17	160,674	22,421	9,068
Chief Finance Officer	2015-16	92,772	14,287	1,931
Director of Finance (from Oct 2016) *	2016-17	125,249	17,864	2,711
Director of Development	2015-16	114,135	17,577	9,949
	2016-17	115,608	17,868	10,275
Director for Children & Schools	2015-16	104,408	16,079	7,267
	2016-17	108,074	16,751	7,950
Director of Social Services & Leisure*** /****	2015-16	112,191	17,277	11,623
	2016-17	83,039	12,859	4,165
Deputy Chief Executive (up to 6-9-15)	2015-16	46,088	7,097	3,356
	2016-17	-	-	-
<p>* Includes £25k honorarium approved by the Senior Staff Committee for period June 2014 to October 2016 for carrying out the duties of a Director</p> <p>** Includes pay for Acting Head of Paid Services up to 31/7/15 and Chief Executive from 1/8/15</p> <p>*** Includes £8k relocation allowance subject to tax 2015-16.</p> <p>****The Director of Social Services & Leisure left post in August 2016 and was replaced in December 2016</p>				

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

Other Employees	Number Of Employees	
Remuneration Band	2015-16	2016-17
£60,000 - £64,999	17	16
£65,000 - £69,999	5	9
£70,000 - £74,999	1	4
£75,000 - £79,999	8	5
£80,000 - £84,999	3	4
£85,000 - £89,999	6	5
£90,000 - £94,999	3	8
£95,000 - £99,999	3	-
£100,000 - £104,999	-	1

The remuneration of the Council's Chief Executive / Head of Paid Service during 2016-17 was £131,301. The median remuneration of all the Council's employees during 2016-17 was £17,460. The ratio of the remuneration of the Council's Chief Executive / Head of Paid Service to the median remuneration of all the Council's employees during 2016-17 was approximately 7.5 : 1.

The remuneration of the Council's Chief Executive / Acting Head of Paid Service during 2015-16 was £134,998. The median remuneration of all the Council's employees during 2015-16 was £17,372. The ratio of the remuneration of the Council's Chief Executive / Acting Head of Paid Service to the median remuneration of all the Council's employees during 2015-16 was approximately 7.7 : 1.

10.6.2 Members Allowances

The total allowances including taxable benefits paid to Members in the year totalled £1,106,173 compared with £1,100,250 in 2015-16.

10.6.3 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)	2015-16				2016-17			
Band	No's			£000	No's			£000
	Compul sory	Other	Total		Compul sory	Other	Total	
£0 - £20,000	19	20	39	271	26	43	69	551
£20,001 - £40,000	7	6	13	396	8	13	21	545
£40,001 - £60,000 *	1	4	5	237	-	5	5	244
£60,001 - £80,000	-	-	-	-	1	-	1	74
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-
Total	27	30	57	904	35	61	96	1,414
* Redundancy costs of £59k paid in 15-16 for one individual, but related to 14-15 has been included in the 15-16 figures above.								
Pension Costs - Capital Settlement (Current Year)	2015-16				2016-17			
Band	No's		£000		No's		£000	
£0 - £20,000	7		35		20		114	
£20,001 - £40,000	1		24		6		188	
£40,001 - £60,000	2		85				-	
Total	10		144		26		302	
Pension Costs - Annual Contribution (Prior Year)	2015-16 £000				2016-17 £000			
Annual Contribution	978				943			
Total	978				943			

10.7 AUDIT FEES

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

	2015-16 * £000	2016-17 £000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year (**)	184	175
Fees payable to the Auditor General for Wales in respect of statutory inspections and the LG Measure	116	116
Fee payable for the certification of grant claims and returns	37	37
Total	337	328

* The 2015-16 fees were based on estimates in the previous year and have been restated to reflect the actual fees incurred. The figures for the 2016-17 fees are estimated.

** 2015-16 Actual £184k includes £8,751 for fees for a query on the Audit Committee Vice Chair.

10.8 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.

10.8.1 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. Membership details are available from the Head of Legal & Committee Services, County Hall, Haverfordwest.

During 2016-17 Internal Audit confirmed that there were no Members identified as having a controlling interest in any company commissioned to supply works or services to the Council. However, Members and Officers have identified links with organisations with which the Council has had financial transactions during 2016-17, these being Pembrokeshire Care Society, Pembrokeshire College, The Torch Theatre, Pembrokeshire Citizens Advice Bureau, Hywel Dda Local Health Board and Pembrokeshire Housing. The value of these transactions during 2016-17 ranged from £114k to £3,071k.

10.8.2 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.

10.8.3 Contracts

Under the Council's constitution contracts as defined in standing orders are reported to the Cabinet twice yearly.

10.8.4 Material Relationships

The following material relationships have been identified where material influence exists:

10.8.4.1 UK and Welsh Governments

The UK and Welsh Governments, and to a lesser extent the European Union, 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 2017 are set out within note 12.6.3.

10.8.4.2 Other Public Bodies

Other Public Bodies are subject to common control by Central and Welsh Government. Details of the Council's arrangements are set out in the tables below.

10.8.4.3 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	
	2015-16 £000	2016-17 £000
Balance B/fwd	-	-
Contributions:		
PCC	283	315
Hywel Dda	371	359
Expenditure in Year	654	674
Balance C/Fwd	-	-

10.8.4.4 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 8.24, 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 six local authorities in South West and Mid Wales working to improve the standards of education of children and young people within the region. The Authority is the lead for accounting purposes. The Authority's share of the Joint Arrangement Income and Expenditure Account and Balance Sheet are shown in the table below.

Education through Regional Working								
Income and Expenditure	2015-16				2016-17			
	Specific Grants	Central Costs	PCC Share Specific Grants	PCC Share Central Costs	Specific Grants	Central Costs	PCC Share Specific Grants	PCC Share Central Costs
	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure	65,907	262	9,364	37	68,141	226	9,472	31
Income	(65,907)	(322)	(9,364)	(45)	(68,141)	(271)	(9,472)	(38)
Net Expenditure	-	(60)	-	(8)	-	(45)	-	(7)
Net Pensions Interest	-	-	-	-	-	18	-	3
Movement on Reserves	-	60	-	8	-	27	-	4
Net (Surplus) / Deficit	-	-	-	-	-	-	-	-
Balance Sheet as at 31 March	2015-16				2016-17			
	Specific Grants	Central Costs	PCC Share Specific Grants	PCC Share Central Costs	Specific Grants	Central Costs	PCC Share Specific Grants	PCC Share Central Costs
	£000	£000	£000	£000	£000	£000	£000	£000
Current Assets	1,288	488	182	69	10,153	-	1,411	-
Current Liabilities	(1,288)	(16)	(182)	(2)	(9,340)	(270)	(1,298)	(37)
Total Assets Less Liabilities	-	472	-	67	813	(270)	113	(37)
Long Term Liabilities	-	(93)	-	(13)	-	(136)	-	(19)
Total Long Term Liabilities	-	(93)	-	(13)	-	(136)	-	(19)
Net Assets	-	379	-	54	-	(406)	-	(56)
Reserves	-	(379)	-	(54)	-	(406)	-	(56)

ERW as a legally constituted Joint Committee now has to prepare statutory financial statements which can be obtained from the ERW website: www.erw.wales

South Pembrokeshire Hospital

The Authority has a shared service with Hywel Dda University Health Board for the provision of day care facilities at South Pembrokeshire Hospital.

Substance Misuse Action Fund

The Authority is the finance lead for the Dyfed Substance Misuse Action Fund (SMAF) which tackles drug and alcohol misuse and which is funded by the Welsh Government. Other partners include Carmarthenshire County Council, Ceredigion County Council and Hywel Dda University Health Board.

The table below identifies the Income and Expenditure, Assets and Liabilities of these Joint Arrangements and any reserves held.

	South Pembrokeshire Hospital				Substance Misuse Action Fund (SMAF) *			
	2015-16		2016-17		2015-16		2016-17	
	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share
	£000	£000	£000	£000	£000	£000	£000	£000
Income and Expenditure								
Expenditure	2,661	349	2,768	370	2,557	843	2,557	861
Income	(2,661)	(349)	(2,768)	(370)	(2,557)	(843)	(2,557)	(861)
Net Expenditure / (Income)	-	-	-	-	-	-	-	-
Movement on Joint Arrangement Reserve	-	-	-	-	-	-	-	-
Net (Surplus) / Deficit	-	-	-	-	-	-	-	-
	2015-16		2016-17		2015-16		2016-17	
	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share
	£000	£000	£000	£000	£000	£000	£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000
Balance Sheet as at 31 March								
Current Assets	-	-	-	-	635	210	777	256
Current Liabilities	-	-	-	-	(635)	(210)	(777)	(256)
Total Assets Less Liabilities	-	-	-	-	-	-	-	-
Reserves	-	-	-	-	-	-	-	-
Total Financing	-	-	-	-	-	-	-	-
* PCC Lead Body								

Other joint arrangements include Welsh Purchasing Consortium, Local Resilience Forum, Integrated Transport (SWITCH) 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.

10.8.4.5 Controlled or Influenced Entities

The Council controls the Tenby Pool 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. Detailed transactions are set out within note 14.2.4.

11.0 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

11.1 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND REGULATORY FUNDING BASIS

Actuals 2016-2017	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	(17,197)	(3,959)	-	(21,156)	21,156
Impairment / Revaluation	(8,868)	(5,655)	-	(14,523)	14,523
Capital Grants Treated As Income	17,474	3,980	-	21,454	(21,454)
Revenue Expenditure Funded From Capital Under Statute	(39)	-	-	(39)	39
Movement in Market Value of Investment Properties	-	-	-	-	-
Disposal of Non-Current Assets	368	10	(3,096)	(2,718)	2,718
Use of Capital Receipts, Grants & Contributions to finance Capital Expenditure	-	-	4,650	4,650	(4,650)
Use of Capital Receipts set aside as reserved receipts	-	-	1,064	1,064	(1,064)
Transfer from Deferred Capital Receipts on receipt of cash	-	-	-	-	-
Capital Grants & Contributions Unapplied	-	-	-	-	-
Financing Cost Adjustment (EIR adjustment)	(40)	-	-	(40)	40
Pension Cost Adjustment	(18,702)	(912)	-	(19,614)	19,614
Employee Benefits – Leave Accrual	(312)	-	-	(312)	312
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position					
Minimum Revenue Provision	2,386	1,641	-	4,027	(4,027)
Statutory Repayment of Debt (Finance Lease Liabilities)	41	-	-	41	(41)
Statutory Repayment of Debt (PFI)	220	-	-	220	(220)
Capital Expenditure Charged To Council Fund (inc PFI Lifecycle)	22,264	2,615	-	24,879	(24,879)
Amortisation of net premium/discounts in relation to financial instruments	79	-	-	79	(79)
Employers contributions to pension schemes	10,528	495	-	11,023	(11,023)
Net Adjustment Required	8,202	(1,785)	2,618	9,035	(9,035)

Actuals 2015-2016	General Fund Working Balance	HRA Working Balance	Capital Receipts & Grants Reserves	Total Usable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
Amounts included in Total Comprehensive Income and Expenditure required by regulation to be excluded to arrive at the funding position					
Depreciation	(23,568)	(5,744)	-	(29,312)	29,312
Impairment / Revaluation	(31,548)	(68,048)	-	(99,596)	99,596
Capital Grants Treated As Income	14,037	3,968	-	18,005	(18,005)
Revenue Expenditure Funded From Capital Under Statute	(158)	-	-	(158)	158
Movement in Market Value of Investment Properties	(142)	-	-	(142)	142
Disposal of Non-Current Assets	1,418	(16)	(5,647)	(4,245)	4,245
Use of Capital Receipts, Grants & Contributions to finance Capital Expenditure	-	-	4,729	4,729	(4,729)
Use of Capital Receipts set aside as reserved receipts	-	-	866	866	(866)
Transfer from Deferred Capital Receipts on receipt of cash	-	-	-	-	-
Capital Grants & Contributions Unapplied	-	-	-	-	-
Financing Cost Adjustment (EIR adjustment)	(48)	-	-	(48)	48
HRA Subsidy Exit Settlement	-	(80,733)	-	(80,733)	80,733
Pension Cost Adjustment	(19,286)	(924)	-	(20,210)	20,210
Employee Benefits – Leave Accrual	227	-	-	227	(227)
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position					
Minimum Revenue Provision	2,353	1,692	-	4,045	(4,045)
Statutory Repayment of Debt (Finance Lease Liabilities)	64	-	-	64	(64)
Statutory Repayment of Debt (PFI)	201	-	-	201	(201)
Capital Expenditure Charged To Council Fund (inc PFI Lifecycle)	3,401	3,820	-	7,221	(7,221)
Amortisation of net premium/discounts in relation to financial instruments	79	-	-	79	(79)
Employers contributions to pension schemes	10,314	465	-	10,779	(10,779)
Net Adjustment Required	(42,656)	(145,520)	(52)	(188,228)	188,228

11.2 USABLE RESERVES

11.2.1 General Fund, HRA, Earmarked and Education Specific Reserve Transactions

	Balance 1 April 2016	Contrib'n to/from Revenue Accounts	Transfer to Provision	Contrib'n to Capital Accounts	Balance 31 March 2017
	£000	£000	£000	£000	£000
Working Balances					
General Fund	(7,000)	-	-	-	(7,000)
HRA	(752)	-	-	-	(752)
Total Working Balances	(7,752)	-	-	-	(7,752)
Earmarked Reserves					
Capital Fund					
General Capital Fund	(5,602)	(20)	-	2,038	(3,584)
HRA Capital Fund	(6,565)	(4,298)	-	2,616	(8,247)
21st Century Schools	(22,068)	-	-	16,734	(5,334)
	(34,235)	(4,318)	-	21,388	(17,165)
Other Earmarked Reserves					
Insurance	(5,637)	(268)	575	-	(5,330)
Winter Maintenance	(227)	-	-	-	(227)
Risk Management	(5,864)	(268)	575	-	(5,557)
Property & Equipment	(2,023)	85	-	842	(1,096)
Carriageway Reconstruction	(525)	(184)	-	155	(554)
Vehicles & Plant	(4,615)	(1,354)	-	1,293	(4,676)
Cleddau Bridge	(1,297)	(225)	-	48	(1,474)
West Wales Crematorium	(357)	(141)	-	114	(384)
Asset Renewal & Repair	(8,817)	(1,819)	-	2,452	(8,184)
Elections	(264)	(40)	-	-	(304)
Social Care Reorganisation	(1,674)	379	-	-	(1,295)
Education Reorganisation	(1,009)	321	-	-	(688)
Equalisation	(2,947)	660	-	-	(2,287)
Invest to Save	(4,538)	(228)	-	686	(4,080)
Service Reconfiguration	(4,163)	279	-	-	(3,884)
Transformation	(8,701)	51	-	686	(7,964)
Planning	(199)	-	-	-	(199)
County Farms Compensation	(64)	(15)	-	-	(79)
Regeneration Fund	(695)	16	-	94	(585)
Economic Development & Tourism	(447)	229	-	-	(218)
Environmental Services	(149)	4	-	-	(145)
Recycling	(755)	(20)	-	-	(775)
Service Delivery	(2,309)	214	-	94	(2,001)
Joint Arrangements	(115)	1	-	-	(114)
Local Authority Mortgage Scheme	(159)	(42)	-	-	(201)
External	(274)	(41)	-	-	(315)
SUBTOTAL	(28,912)	(1,203)	575	3,232	(26,308)
Total Earmarked Reserves	(63,147)	(5,521)	575	24,620	(43,473)
Schools ISB Balances	(2,212)	924	-	-	(1,288)
School Catering SLA	(388)	94	-	98	(196)
Schools Maintenance SLA	(290)	220	-	20	(50)
Schools Supply Insurance	(238)	(135)	-	-	(373)
PFI ICT	(16)	-	-	-	(16)
PFI RSG Equalisation	(2,886)	83	-	-	(2,803)
Total Education Reserves	(6,030)	1,186	-	118	(4,726)
TOTAL SCHOOLS & RELATED RESERVES	(69,177)	(4,335)	575	24,738	(48,199)

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 2016 £000	Rec'd In Year £000	Set Aside Prov'n £000	In Year Transfers £000	Applied to Revenue £000	Applied To Finance Expend £000	Balance at 31 March 2017 £000
Capital Receipts Reserve							
General Fund*	(1,434)	(15)	-	(625)	19	-	(2,055)
21st Century Schools	(3,239)	(2,036)	-	625	-	4,650	-
HRA	-	(1,064)	1,064	-		-	-
TOTAL	(4,673)	(3,115)	1,064	-	19	4,650	(2,055)

*£19k repayment of Capital Receipts held on behalf of Goodwick Community Education Centre.

12.0 NOTES TO THE BALANCE SHEET

12.1 NON-CURRENT ASSETS

12.1.1 Fixed Assets

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, Mr. B. Cooke F.R.I.C.S. with the exception of the airport which was valued by the Valuation Office.

Valuation Basis Gross Values	Council House Assets £000	Other Land & Bldings £000	Infra- structure £'000	Vehicle, Plant & Equip £000	Communit y Assets £000	Heritage Assets £000	Assets Under Const'n £000	Surplus Assets £000	Total £000
Carried at Historical Cost Valued at Fair Value as at:	56,535	14,868	151,857	22,066	453	-	31,408	-	277,187
31 March 2017	333	66,652	-	-	8	-	-	7,158	74,151
31 March 2016	198,756	212,488	-	-	45	606	-	-	411,895
31 March 2015	-	13,419	3	-	196	-	1,007	-	14,625
31 March 2014	552	8,702	-	-	-	-	-	-	9,254
31 March 2013	1,940	8,419	-	-	668	-	-	-	11,027
Total Cost or Valuation	258,116	324,548	151,860	22,066	1,370	606	32,415	7,158	798,139

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 £12m.

The gross carrying value of the pool area of Tenby Leisure Centre (approx £1.6m) 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					
	2015-16			2016-17		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
Property Plant & Equipment						
Council Dwellings *	61	205,849	205,910	60	202,067	202,127
Land & Buildings *	307,379	621	308,000	309,631	605	310,236
Infrastructure	117,900	-	117,900	115,185	-	115,185
Vehicles Plant & Equipment	8,481	268	8,749	8,186	549	8,735
Heritage Assets	1,451	-	1,451	606	-	606
Community Assets	1,374	51	1,425	1,290	51	1,341
Assets Under Construction **	12,915	-	12,915	31,634	-	31,634
Surplus Assets	4,586	-	4,586	7,154	-	7,154
	454,147	206,789	660,936	473,746	203,272	677,018
Investment Property	965	-	965	-	-	-
Intangibles	42	-	42	153	-	153
Assets Held for Sale	-	-	-	-	-	-
Total	455,154	206,789	661,943	473,899	203,272	677,171

* Council Dwellings and all specialised assets within Land & Buildings were revalued during 2015-16 resulting in a significant revaluation loss being recognised in the Comprehensive Income and Expenditure Statement.

**Assets Under Construction include the new Haverfordwest Library and the 21st Century Schools Programme including Pembroke Learning Campus, Haverfordwest Welsh Medium, Hakin & Hubberston Primary, Ysgol Bro Gwaun and Angle Peninsula Primary.

12.1.1.4 Movement in Non-Current Asset Values Property, Plant & Equipment Details 2016-17

Owned Assets	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 Property Plant & Equip £000
Cost or Valuation At 31 March 2016	252,257	314,988	151,014	21,381	1,454	1,497	14,139	4,590	761,320
Additions	6,658	7,046	4,592	3,188	-	-	29,552	4	51,040
De-recognition / disposals	(16)	(896)	(3,746)	(2,503)	(2)	-	-	-	(7,163)
De-recognition – other (component)	-	-	-	-	-	-	-	-	-
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount	(57)	(5,064)	-	-	-	(67)	-	(1,588)	(6,776)
Revaluations increases / (decreases) recognised in the Revaluation Reserve	216	3,263	(70)	-	2	(15)	-	475	3,871
Revaluations increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	205	(2,676)	(3)	-	-	(909)	-	362	(3,021)
Reclassifications – PPE & Investment	(73)	7,887	73	-	(84)	100	(11,276)	4,338	965
Reclassifications – (to) / from Held for Sale	(1,074)	-	-	-	-	-	-	(1,023)	(2,097)
At 31 March 2017	258,116	324,548	151,860	22,066	1,370	606	32,415	7,158	798,139
Depreciation & Impairments									
Depreciation	(573)	(1,336)	(31,428)	(11,188)	-	(29)	-	(2)	(44,556)
Impairment	(45,774)	(5,652)	(1,686)	(1,444)	(29)	(17)	(1,224)	(2)	(55,828)
At 31 March 2016	(46,347)	(6,988)	(33,114)	(12,632)	(29)	(46)	(1,224)	(4)	(100,384)
Depreciation Charge for 2016/17	(3,858)	(9,789)	(3,212)	(2,687)	-	(9)	-	(1,554)	(21,109)
Impairment Losses & Non-Enhancing Expenditure to Revaluation Reserve	-	(1,594)	-	-	-	-	-	-	(1,594)
Impairment Losses & Non-Enhancing Expenditure to Surplus/Deficit on the Provision of Services	(5,859)	(1,044)	(4,095)	(512)	(2)	-	-	(5)	(11,517)
Derecognition / Disposals:									
~ W/O Accumulated Depreciation	1	64	640	2,219	-	-	-	-	2,924
~ W/O Accumulated Impairment	15	374	3,106	281	2	-	-	-	3,778
Revaluations:									
~ W/O Accumulated Depreciation	57	3,176	-	-	-	50	-	1,585	4,868
~ W/O Accumulated Impairment	-	1,889	-	-	-	17	-	3	1,909
Reclassifications:									
~ Transfer Accumulated Depreciation b/fwd	2	61	-	-	-	(12)	(18)	(29)	4
~ Transfer Accumulated Impairment b/fwd	-	(461)	-	-	-	-	461	-	-
At 31 March 2017	(55,989)	(14,312)	(36,675)	(13,331)	(29)	-	(781)	(4)	(121,121)
Balance Sheet Amount at 31 March 2017	202,127	310,236	115,185	8,735	1,341	606	31,634	7,154	677,018
Balance Sheet Amount at 31 March 2016	205,910	308,000	117,900	8,749	1,425	1,451	12,915	4,586	660,936

12.1.1.5 Comparative Movement in Non Current Asset Values Property, Plant & Equipment 2015-16

Owned Assets	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 Property Plant & Equip £000
Cost or Valuation At 1 April 2015	339,353	395,844	144,608	19,755	1,417	2,105	5,411	6,276	914,769
Additions	7,626	4,390	6,445	2,330	10	-	10,196	3	31,000
De-recognition / disposals	-	(279)	-	(704)	-	(5)	-	-	(988)
De-recognition – other (component)	-	-	-	-	-	-	-	-	-
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount	(25,385)	(30,822)	(5)	-	-	(74)	-	(286)	(56,572)
Revaluations increases / (decreases) recognised in the Revaluation Reserve	(6,329)	(27,177)	(710)	-	28	(536)	-	455	(34,269)
Revaluations increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(61,406)	(27,719)	(67)	-	(78)	7	-	(773)	(90,036)
Reclassifications – PPE & Investment	(726)	2,437	743	-	77	-	(1,468)	75	1,138
Reclassifications – (to) / from Held for Sale	(876)	(1,686)	-	-	-	-	-	(1,160)	(3,722)
At 31 March 2016	252,257	314,988	151,014	21,381	1,454	1,497	14,139	4,590	761,320
Depreciation & Impairments									
Depreciation	(20,330)	(9,486)	(27,880)	(9,244)	-	(29)	-	(68)	(67,037)
Impairment	(39,130)	(7,700)	(1,686)	(1,349)	(19)	(91)	(242)	-	(50,217)
At 31 March 2015	(59,460)	(17,186)	(29,566)	(10,593)	(19)	(120)	(242)	(68)	(117,254)
Depreciation Charge for 2015/16	(5,628)	(17,331)	(3,553)	(2,606)	-	-	-	(148)	(29,266)
Impairment Losses & Non-Enhancing Expenditure to Revaluation Reserve	(2)	(1,767)	-	-	(10)	-	-	(1)	(1,780)
Impairment Losses & Non-Enhancing Expenditure to Surplus/Deficit on the Provision of Services	(6,642)	(2,279)	-	(95)	-	-	(584)	(1)	(9,601)
Derecognition / Disposals:									
~ W/O Accumulated Depreciation	-	17	-	662	-	-	-	-	679
~ W/O Accumulated Impairment	-	262	-	-	-	-	-	-	262
Revaluations:									
~ W/O Accumulated Depreciation	25,385	25,446	5	-	-	-	-	231	51,067
~ W/O Accumulated Impairment	-	5,377	-	-	-	74	-	57	5,508
Reclassifications:									
~ Transfer Accumulated Depreciation b/fwd	-	18	-	-	-	-	-	(17)	1
~ Transfer Accumulated Impairment b/fwd	-	455	-	-	-	-	(398)	(57)	-
At 31 March 2016	(46,347)	(6,988)	(33,114)	(12,632)	(29)	(46)	(1,224)	(4)	(100,384)
Balance Sheet Amount at 31 March 2016	205,910	308,000	117,900	8,749	1,425	1,451	12,915	4,586	660,936
Balance Sheet Amount at 31 March 2015	279,893	378,658	115,042	9,162	1,398	1,985	5,169	6,208	797,515

12.1.1.6 Heritage Asset Transactions In Year

	2015-16 £000	2016-17 £000
Balance at 1 April	1,985	1,451
Cost of Acquisition of heritage assets	-	-
Value of heritage assets acquired by donation	-	-
Category Transfer to/(from) heritage assets	-	88
Disposal of Heritage Assets		
· Sale Proceeds	-	-
· Carrying Value	(5)	-
Revaluations		
Impairment losses/(reversals) recognised in the Revaluation Reserve	(536)	(15)
Impairment losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	7	(909)
Depreciation	-	(9)
Impairment in period	-	-
Balance at 31 March	1,451	606

Further details of the Council's Heritage Assets can be obtained from the Pembrokeshire Museums and Archives Services.

12.1.2 Investment Property

During 2015-16 a review was undertaken of property assets allocated as investment and re-categorised where appropriate.

Local authorities are required to apply the fair value measurement and disclosure requirements of Section 2.10 of the Code from 1 April 2015. The relevant disclosure note can be found in section 12.1.5.1 in the notes to the Balance Sheet for Non-Current Assets.

	2015-16 £000	2016-17 £000
Movement in Fair Value		
Balance at 1 April	2,246	965
· Purchase	-	-
· Construction	-	-
· Expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(142)	-
Transfers	(1,139)	(965)
Balance at 31 March	965	-

12.1.3 Fixed Asset Disposals and De-recognitions in the Year

The gross carrying value of assets disposed of in the year were :	2015-16 £000	2016-17 £000
Disposals		
Council Housing	876	1,088
Building Plots and Land	2,845	1,231
Investment Property	-	-
Other	684	4,449
Total Disposals	4,405	6,768
De-recognitions		
Council Housing	-	-
Building Plots and Land	279	-
Investment Property	-	-
Other	25	2,503
Total De-recognitions	304	2,503

12.1.4 Intangible Assets

Certain externally purchased software packages are recognised as intangible assets in the Balance Sheet. Details of the relevant transactions are included in the following tables.

	2015-16 £000	2016-17 £000
Balance at start of year:		
Gross Carrying Amounts	136	175
Accumulated Amortisation	(87)	(133)
Net Carrying Amount at start of year	49	42
Additions	39	158
Disposals / Derecognition	-	(136)
Amortisation for the period	(46)	(47)
Other Changes	-	136
Net carrying amount at end of year	(7)	111
Comprising:		
Gross Carrying Amounts	175	197
Accumulated Amortisation	(133)	(44)
	42	153
There are no internally generated Intangible Assets		

12.1.5 IFRS 13 FAIR VALUE MEASUREMENT

12.1.5.1 Investment Properties

During 2016-17 all Investment Properties were transferred to Land and Buildings as they no longer met the criteria of an Investment Property.

The authority's investment properties were previously valued at the highest and best use of the properties in their current use. Details of the authority's investment properties and information about the fair value hierarchy are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £0	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2017 £000
Office units	-	-	-	-
Commercial units	-	-	-	-
Fair Value Investment Properties	-	-	-	-

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2016 £000
Office units	-	-	73	73
Commercial units	-	667	225	892
Fair Value Investment Properties	-	667	298	965

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties at 31 March 2016

Significant Observable Inputs – Level 2

The fair value for some of the commercial properties identified as Investment properties were based on the rent passing, using current market conditions, external expert advice, recent lettings and other relevant information for similar assets in the area. Market conditions are such that similar properties are actively let/sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

The office and remaining commercial units are measured using an income approach, based on the Council's own data. The Council's office and commercial units are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

Quantitative information about Fair Value Measurement of Investment Properties using significant unobservable inputs – level 3

	As at 31 March 2016 £000	As at 31 March 2017 £000	Valuation technique used to measure Fair Value	Unobservable inputs 2016-17	Sensitivity
Offices	73	0	MV	Not Applicable	Not Applicable
Commercial	225	0	MV	Not Applicable	Not Applicable
Total Investment Property	298	0			

The fair value of the Council's investment 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.

12.1.5.2 Surplus Assets

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2017 £000
Surplus assets	-	-	7,154	7,154
Fair Value Surplus Properties	-	-	7,154	7,154

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2016 £000
Surplus assets	-	2,758	1,832	4,590
Fair Value Surplus Properties	-	2,758	1,832	4,590

Transfers between levels of the Fair Value Hierarchy between 2015-16 and 2016-17

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The difference is due to terms being re-negotiated or sales not proceeding, 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.

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.

Valuation Techniques

The appropriate valuation techniques were used during the year to value the Surplus assets.

Quantitative information about Fair Value Measurement of Surplus Properties using significant unobservable inputs – level 3

	As at 31 March 2016 £000	As at 31 March 2017 £000	Valuation technique used to measure Fair Value	Unobservable inputs	Sensitivity
Surplus Assets	1832	7,154	MV	Comparable evidence, external advice, similar sales agreed.	Changes in market conditions will result in increases and decreases in the Fair Value

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.

12.1.6 Capital Expenditure and Financing

12.1.6.1 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.

	2015-16 £000	2016-17 £000
Capital Expenditure Analysed by Services:		
Education	11,156	34,154
Social Services	304	694
Transport	8,257	5,038
Housing – H.R.A.	7,625	6,657
Housing – Council Fund	1,338	1,412
Culture & Related Services	1,464	1,064
Development	1,443	737
Environmental	1,021	1,013
Corporate	645	1,820
	33,253	52,589
Assets Acquired Under Finance Leases in the Year	30	9
Capital Investment	33,283	52,598
Representing:		
Fixed Assets Property Plant & Equipment	31,536	51,040
Sunk Costs Property Plant & Equipment	-	(497)
Intangible Assets	-	158
Loans & Advances	-	252
Gross Revenue Expenditure Funded from Capital Under Statute	1,747	1,645
	33,283	52,598
Financed by:		
Loans	1,708	-
Unsupported Borrowing	-	-
Capital Grants, Receipts & Contributions	24,324	27,710
General Fund Reserves Applied	7,221	24,879
Finance Leases	30	9
	33,283	52,598

12.1.6.2 Capitalisation of Borrowing Costs

No borrowing costs were capitalised during the year.

12.1.6.3 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.

	2015-16 £000	2016-17 £000
Capital Financing Requirement as at 1 April	132,039	209,327
Opening Balance Adjustment		
HRA Subsidy Exit Settlement	80,733	-
Movements in Year		
Prior Year Adjustment	-	-
Increase/(Decrease) in Supported Borrowing (Local & Central Taxation)	(3,468)	(5,353)
Increase/(Decrease) in Unsupported Borrowing (Local Taxation)	-	-
Assets Acquired/Disposed of Under Finance Leases	23	8
Capital Finance Requirement as at 31 March	209,327	203,982
In Year Movement		
HRA Subsidy Exit Settlement	80,733	-
Capital Investment:		
Property Plant and Equipment Prior Year Reversal	(58)	(497)
Property Plant and Equipment	31,000	51,040
Property Plant and Equipment non-enhancing expenditure in year adjustment	(40)	-
Investment Properties	-	-
Intangible Assets	39	158
Loans & Advances	595	252
Revenue Expenditure Funded From Capital Under Statute	1,747	1,645
Sub-total	114,016	52,598
Prior Year Adjustment	-	-
Total	114,016	52,598
Sources of Finance:		
Capital Receipts	(4,729)	(4,650)
Set Aside Capital Receipts	(866)	(1,064)
Government Grants and Other Contributions	(19,595)	(23,060)
Finance Lease Disposals	(7)	(1)
Sums Set Aside From Revenue:		
- Direct Revenue Contribution	(7,221)	(24,879)
- Minimum Revenue Provision	(4,310)	(4,288)
- Miscellaneous adjustment	-	(1)
	(36,728)	(57,943)
Increase/(Decrease) in Capital Financing Requirement	77,288	(5,345)

12.1.6.4 Capital Contract Commitments

The following represents amounts committed under major works contracts. £0.965m has been accrued in the 2016-17 accounts.

The major commitments under capital contracts at the 31 March are:	2015-16 £000	2016-17 £000
Education	7,472	42,328
Social Services	151	1
Transport	1,785	2,270
Housing – H.R.A.	1,153	1,518
Housing – Council Fund	449	290
Culture & Related Services	229	2,841
Development	323	241
Environmental	145	326
Corporate	314	90
	12,021	49,905

Education commitments have increased due to the 21st Century School Programme.

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 £1.46m. Future commitments over the life of the contract are estimated to be £19.0m.

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.

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

	2015-16 £000	2016-17 £000
Cost or Valuation		
At 1 April	13,056	9,711
Additions	112	141
Disposals	-	-
Reclassifications	-	-
Revaluations	(3,457)	(28)
At 31 March	9,711	9,824
Depreciation & Impairments		
Depreciation	(29)	(112)
Impairment	(173)	-
At 1 April	(202)	(112)
Depreciation Charge for Year	(614)	(241)
Impairment Losses for Year	(112)	(141)
Revaluation:		
W/O Accumulated Depreciation	757	-
W/O Accumulated Impairment	59	8
As at 31 March	(112)	(486)
Balance Sheet Amount at 31 March	9,599	9,338

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

	2015-16 £000	2016-17 £000
Liability		
Balance Sheet Amount at 1 April	(7,344)	(7,143)
Capital Element Repaid	201	220
Balance Sheet Amount at 31 March	(7,143)	(6,923)

12.2.3.3 PFI Lifecycle Cost Prepayment

	2015-16 £000	2016-17 £000
Prepayment		
Balance Sheet Amount at 1 April	(1,108)	(1,232)
Lifecycle Payment In Year	(236)	(239)
Lifecycle Non-Enhancing Expenditure In Year	112	141
Balance Sheet Amount at 31 March	(1,232)	(1,330)

12.2.3.4 Obligations Relating to PFI Assets

	Liability £000	Interest £000	Service Charge* £000	Lifecycle Replacement* £000	Total Oblig'n £000
Obligations 2017-18	241	637	239	67	1,184
Obligations 2018-19 - 2021-22	1,215	2,296	957	268	4,736
Obligations 2022-23 - 2026-27	2,290	2,098	1,196	336	5,920
Obligations 2027-28 - 2031-32	3,162	786	1,196	336	5,480
Obligations 2032-33 - 2036-37	15	1	120	33	169
Total Obligation At 31 March 2017	6,923	5,818	3,708	1,040	17,489
Total Obligation At 31 March 2016	7,143	6,474	3,946	1,108	18,671
*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.

12.3.1.1 Assets Acquired / Utilised under Lease Arrangements

	Property		Equipment		Vehicles & Plant	
	2015-16 £000	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000	2016-17 £000
Finance Leases						
Net value of assets leased included in Balance Sheet:	769	759	76	43	-	-
Operating Leases						
Contingent rents/sublease payments recognised in year	90	88	234	241	523	462
Future sub-lease payments receivable	-	-	-	-	-	-
Total Operating Leases	90	88	234	241	523	462

The minimum lease payments due under Finance Lease arrangements are:

	Property		Equipment		Vehicles & Plant	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Net present value of future payments	160	160	67	33	-	-
Finance charge due in future years	825	811	8	7	-	-
Minimum Payments Due	985	971	75	40	-	-

The minimum lease payments due for both Finance and Operating leases will be payable over the following periods:

	Obligations 2017-18 £000	Obligations 2018-19 - 2021-22 £000	Obligations Post 2022 £000	Total £000
Minimum Lease Payments:				
Property	100	321	2,014	2,435
Equipment	214	200	-	414
Vehicles & Plant	383	320	-	703

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.

Receipts Due	Payments Receivable 2017-18 £000	Payments Receivable 2018-19- 2021-22 £000	Payments Receivable Post 2022 £000	Total £000
Finance Leases				
Gross investment in leases	-	-	-	-
Minimum lease receipts*	-	-	14	14
Operating Leases				
Minimum aggregate lease payments	1,018	2,575	10,708	14,301
* Finance lease income is based on peppercorn rentals received over a period of ~999 years.				

12.4 INVENTORIES & WORKS IN PROGRESS (Construction Contracts)

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

	Building & Engineering Stores	Culture Environ & Planning	Catering	Other	Total
	£000	£000	£000	£000	£000
Balance at 31 March 2016	825	134	115	63	1,137
Purchases	3,118	316	1,520	455	5,409
Works In Progress	-	-	-	6	6
Recognised as an expense in year	(3,110)	(251)	(1,514)	(452)	(5,327)
Balance at 31 March 2017	833	199	121	72	1,225

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 2017 was £68.8m. The corresponding fair value of investments at 31 March 2016 was £88.3m.

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.

Investments (Loans & Receivables)	Amortised Value 31 March 2016 £000	Maturity Value			Interest Accrued in Year £000	Amortised Value 31 March 2017 £000	Fair Value 31 March 2017 £000
		1 April 2016 £000	Move-ment In Year £000	31 March 2017 £000			
Long Term (over 12 months)							
Money Market	-	-	-	-	-	-	-
Local Authority Mortgage Scheme	1,000	1,000	(1,000)	-	-	-	-
	1,000	1,000	(1,000)	-	-	-	-
Short Term (under 12 months)							
Money Market	85,499	85,266	(17,413)	67,853	93	67,946	68,002
Local Authority Mortgage Scheme	33	-	1,000	1,000	33	1,033	n/a
	85,532	85,266	(16,413)	68,853	126	68,979	68,002
Cash Equivalent							
Money Market	2,714	2,714	(1,952)	762	-	762	764
Total Investments	89,246	88,980	(19,365)	69,615	126	69,741	68,766

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

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 2016 £000	Gross 31 March 2017 £000	Impairment Allowance £000	Net 31 March 2017 £000
Amounts falling due after one year:				
Mortgages	-	-	-	-
Other Loans	652	746	-	746
Debts Against Estates (see table below)	1,519	1,436	-	1,436
	2,171	2,182	-	2,182
Amounts falling due in one year:				
Central Government Bodies	11,481	9,014	-	9,014
Other Local Authorities & Public Bodies	1,251	1,194	(3)	1,191
NHS Bodies	846	2,583	(151)	2,432
HRA Tenants and Former Tenants	527	1,366	(908)	458
Prepayments	2,108	2,112	-	2,112
Council Taxpayers	682	1,667	(1,407)	260
Sundry Debtors & Accrued Income	5,272	9,722	(1,768)	7,954
	22,167	27,658	(4,237)	23,421

Debts Against Estates - are treated as soft loans in the accounts. The adjustment made in the Financial Instrument Adjustment Account from maturity value to fair value is set out below:

	31 March 2016 £000	31 March 2017 £000
Debts Against Estates		
Maturity Value	1,749	1,519
Financial Adjustment Account Entries		
Effective Interest Rate Adjustment		
• Prior Year	166	8
• Current Year	28	9
Net Present Value Adjustment		
• Prior Year	(314)	104
• Current Year	(110)	(204)
Amortised (Fair) Value	1,519	1,436

12.6.2 Creditors

	Balance 1 April 2016				Balance 31 March 2017			
	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:								
Central Government Bodies	(3,674)	(1,081)	(4,106)	(8,861)	(3,796)	(729)	(3,599)	(8,124)
Other Local Authorities & Public Bodies	(1,918)	-	-	(1,918)	(2,370)	-	-	(2,370)
NHS Bodies	(270)	-	-	(270)	(64)	-	-	(64)
Deposits and Bonds	(2,658)	-	-	(2,658)	(2,213)	-	-	(2,213)
Sundry Creditors	(15,880)	-	(4,678)	(20,558)	(14,551)	-	(4,843)	(19,394)
	(24,400)	(1,081)	(8,784)	(34,265)	(22,994)	(729)	(8,442)	(32,165)
Loan Interest				(1,265)				(1,243)
Loans Maturing within One Year				(1,513)				(1,517)
Total Creditors				(37,043)				(34,925)

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

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 2016	Change in amount where conditions expected to be satisfied in < 1 year	Applied in Year Conditions Met	Returned in Year Conditions Not Met	Received In Year Conditions Outstanding	Balance at 31 March 2017
Current Liability:						
Revenue Grants						
▪ General Fund	(1,081)	-	1,081	-	(729)	(729)
▪ HRA	-	-	-	-	-	-
Capital Grants						
▪ General Fund	(8,784)	-	2,356	126	(2,140)	(8,442)
▪ HRA	-	-	-	-	-	-
Total	(9,865)	-	3,437	126	(2,869)	(9,171)

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

Capital Grants Receipts in Advance	2015-16 £000	2016-17 £000
Current Liabilities		
WG - SSR Southern Strategic Route	(17)	-
WG - Home Improvements	(926)	(797)
WG - Town Centre	(1,250)	(2,227)
Contribution to Group Repair Schemes	(1,568)	(1,472)
S106 Developers Contributions	(2,769)	(2,807)
Other Capital Grants & Contributions	(2,254)	(1,139)
Total Current Liabilities Capital Grants Receipts in Advance	(8,784)	(8,442)
Revenue Grants Receipts in Advance	2015-16 £000	2016-17 £000
Current Liabilities		
Education & Childrens' Services	(38)	(35)
Adult Social Services	-	-
Culture, Environment & Planning Services	(168)	(115)
Highways & Transport Services	-	-
Central & Corporate Services	(495)	(571)
General Fund Housing & HRA	(380)	(8)
Total Current Liabilities Revenue Grants Receipts in Advance	(1,081)	(729)

12.7 CASH AND CASH EQUIVALENT

	Balance 1 April 2016 £000	Balance 31 March 2017 £000
Cash at bank / in hand	1,873	2,765
Bank Call Accounts	2,714	762
Cash overdrawn	-	-
Total Cash and Cash Equivalents	4,587	3,527

12.8 ASSETS HELD FOR SALE

	2015-16 £000	2016-17 £000
Balance outstanding at start of year	-	-
Assets classified as Held for Sale during year	3,721	2,093
Revaluation gains / losses	-	15
Assets sold	(3,721)	(2,108)
Balance outstanding at end of year:	-	-

12.9 PROVISIONS AND CONTINGENT LIABILITIES AND ASSETS

12.9.1 Provisions

	2015-16			2016-17		
	Insurance	Other	Total	Insurance	Other	Total
	£000	£000	£000	£000	£000	£000
Brought Forward at 1 April	(1,545)	(227)	(1,772)	(1,293)	(60)	(1,353)
Cost of Claims Charged To Services	518	8	526	892	-	892
Less : External Reimbursement	(31)	-	(31)	(3)	-	(3)
Other	-	320	320	-	101	101
Charged To Provision	487	328	815	889	101	990
Contributions & Transfers In Year	(235)	(161)	(396)	(548)	(41)	(589)
Balance Carried Forward at 31 March	(1,293)	(60)	(1,353)	(952)	-	(952)

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

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 an assessment made that the Council faced a levy of 15% in 2013-14, with the cost of £206,000 included within the accounts. As further claims have been paid the scheme administrator has raised the levy rate to 25% in 2015-16, which resulted in the Authority making a provision to pay an additional £137,000; this was paid during 2016-17. Therefore the total cost to the Authority so far has been £343,000. Further levy increases may be requested but the liability is not certain, this element has not been included in the accounts, and is not expected to be material.
- The Council has a possible obligation in terms of paying any claims raised as a result of the recent Court ruling relating to entitlement of holiday pay in overtime payments. The Council estimates that total exposure is unlikely to be material.

- The potential liability exposure of the Council cannot be estimated in respect of the following:
Under the Local Authority Mortgage Scheme, entered into in June 2012, the Authority advanced £1m to Lloyds (mortgage provider) to support first time buyers in the acquisition of a house. The Authority has signed an indemnity deed with the mortgage provider. The indemnity requires the Authority to compensate the bank if the mortgagor defaults and a loss is crystallised. This occurs when the bank has pursued the arrears and has to repossess and sell the property. The Authority will only pay its share of the loss if the sale proceeds are insufficient to pay off the outstanding debt. Losses will be invoiced as they arise but there is an option to elect to deduct losses from the cash advance when it is repaid after 5 years. There are currently no defaults reported on any of the mortgages supported through LAMS. Taking into consideration the current low repossession rates it is determined that the value of the indemnity is negligible. The Authority earns interest on the cash advance and interest earned has been set-aside in an earmarked reserve to provide for any potential loss associated with LAMS.
- For the past 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. In order to limit this potential liability, the Council has entered into a new agreement with the water supplier from 1 April 2017, which ensures that it is acting as an agent.

12.9.3 Contingent Assets

The Council has claims with H.M.R.C. in respect of the past treatment of other income which may facilitate the recovery of VAT. It is not possible to accurately estimate the potential recoverable VAT due to the level of uncertainty.

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	2015-16	Market Loans	NAW	PWLB	2016-17
	£000	£000	£000	£000	£000
Maturity Value	(196,750)	(40,000)	(200)	(160,433)	(200,633)
Financial Adjustment Account Entries					
Effective Interest Rate Adjust					
• Prior years	(420)	(583)	115	-	(468)
• Current year	(48)	4	(44)	-	(40)
Deferred Liabilities Account Entries					
Discounts Transferred	(200)	(200)	-	-	(200)
Less Discount write down					
• Prior years	12	14	-	-	14
• Current year	2	2	-	-	2
Council Fund Account Entries					
Effective Interest Rate w/off	(8)	(8)	-	-	(8)
Amortised Value	(197,412)	(40,771)	(129)	(160,433)	(201,333)

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 2017. 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	2015-16	Market Loans	NAW	PWLB	2016-17
	£000	£000	£000	£000	£000
Maturity Value					
As at 1 April					
Long Term Borrowing	(117,528)	(40,000)	(300)	(156,449)	(196,749)
Short Term Borrowing	(1,570)	-	(100)	(1,413)	(1,513)
Total Borrowing	(119,098)	(40,000)	(400)	(157,862)	(198,262)
Repaid in Year	1,570	-	100	1,412	1,512
Raised in Year	(80,733)	-	-	(5,400)	(5,400)
As at 31 March					
Long Term Borrowing	(196,749)	(40,000)	(200)	(160,433)	(200,633)
Short Term Borrowing	(1,513)	-	(100)	(1,417)	(1,517)
Total Borrowing	(198,262)	(40,000)	(300)	(161,850)	(202,150)
Change in amount due in less than 1 year	57	-	-	(4)	(4)
Fair Value	(270,260)	(66,708)	(294)	(231,258)	(298,260)

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 2017. However for comparison calculating fair value using exit pricing would have resulted in a value of £350.75m 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.

12.10.2 An analysis of the debt portfolio by maturity value by lender and by maturity profile at 31 March is shown within note 12.13.4.2.

12.11 DEFERRED LIABILITIES

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

	Balance at 1 April 2016	Incurred In Year	Released In Year	In Year PV Adjust-ment	Balance at 31 March 2017
	£000	£000	£000	£000	£000
S. Care Debts Against Estates	(1,519)	(1,616)	1,836	(137)	(1,436)
Private Finance Initiative (PFI)	(7,143)	-	220	-	(6,923)
Finance Leases (Property)	(160)	-	-	-	(160)
Finance Leases (Equipment)	(67)	(9)	43	-	(33)
Total	(8,889)	(1,625)	2,099	(137)	(8,552)

12.12 USABLE RESERVES

	2015-16 £000	2016-17 £000
Earmarked Reserves (see note 11.2.1)	(69,177)	(48,199)
Capital Receipts and Contributions (see note 11.2.2)	(4,673)	(2,055)
Total	(73,850)	(50,254)

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 2016* £000	Movement in Year £000	Balance at 31 March 2017 £000
Deferred Capital Receipts Reserve	(48)	-	(48)
Capital Adjustment Account*	(300,300)	(24,506)	(324,806)
Revaluation Reserve	(153,412)	4,330	(149,082)
Financial Instruments Adjustment Account	1,044	(39)	1,005
Accumulated Absences Account	1,212	312	1,524
Pensions Reserve	105,952	49,446	155,398
PFI Lifecycle Reserve	(1,232)	(98)	(1,330)
Unusable Reserves Total	(346,784)	29,445	(317,339)

* Restated to reflect opening balance adjustments for prior year capital costs transferred to revenue (CAA)

12.13.1 Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds sale proceeds in respect of assets disposed of on a deferred basis. When the cash is received the deferred receipt is transferred to the Capital Receipts Reserve.

	Balance at 1 April 2016	Advanced	Repaid	Balance at 31 March 2017
	£000	£000	£000	£000
Council House & Commercial Mortgages	(48)	-	-	(48)

12.13.2 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.

	2015-16 £000	2016-17 £000
Balance 1 April	(467,892)	(299,802)
Prior year adjustment DRC Valuations & Tenby Pool		
Prior year capital spend transferred to revenue	(59)	(498)
Restated Balance 1 April	(467,951)	(300,300)
Amounts Set Aside To Repay Debt		
- Minimum Revenue Provision	(4,310)	(4,288)
- Reserved Capital Receipts	(866)	(1,064)
Financing of Expenditure on Fixed Assets:		
- Capital Fund applied	(4,281)	(21,388)
- Other Funds applied	(2,940)	(3,491)
- Capital Receipts applied	(4,729)	(4,650)
- Capital Grants & Contributions credited to CI&E applied to capital financing	(18,005)	(21,454)
- Capital Grants Unapplied Account Applied	-	-
Income & Expenditure Statement Charges:		
- HRA Subsidy Settlement exit	80,733	-
- Write down of Net Revenue Expenditure Funded from Capital Under Statute	158	39
- Amount Provided for Depreciation	29,312	21,156
- Non-Enhancing Expenditure In Year Adjustment	(40)	-
- Non-Enhancing Expenditure	9,501	7,271
- Impairment	100	4,246
- Revaluation Loss	96,066	4,505
- Revaluation Gain used to reverse previous Revaluation Loss	(6,030)	(1,499)
- Movement in Fair Value of Investment Properties	142	-
- Write down of Deferred Liability	485	148
- Disposal of Finance Lease liability	(7)	-
Fixed Asset Movements:		
- Disposals	3,767	2,570
- Valuation Adjustments	(1)	(15)
Revaluation Reserve Movements:		
- Amounts written off	(10,906)	(6,592)
Balance Carried Forward 31 March	(299,802)	(324,806)

12.13.3 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

	2015-16 £000	2016-17 £000
Balance Brought Forward at 1 April	(200,367)	(153,412)
Revaluation Gains	(52,970)	(9,973)
Downward revaluation and impairment*	89,019	7,696
Surplus/Deficit on revaluation of non-current assets not charged to the surplus/deficit on the provision of services	36,049	(2,277)
Write off excess current value depreciation over historical cost depreciation	9,028	5,682
Write off excess current value impairment over historical cost impairment	-	-
Write off balance re asset disposals	1,878	910
Write off balance re miscellaneous assets (e.g. scrapped and demolished assets)	-	-
Total Written Off	10,906	6,592
Category Transfers	-	15
Balance Carried Forward at 31 March	(153,412)	(149,082)
* 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		

12.13.4 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.

	2015-16 £000	2016-17 £000
Balance 1 April	1,075	1,044
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	48	40
PWLB premium paid	-	-
PWLB discount received	-	-
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	9	9
Write down of deferred premiums	(88)	(88)
Balance 31 March	1,044	1,005

12.13.4.1 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.

Credit Risk

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

Credit risk arises from the investment of surplus funds with Banks, Building Societies and other Local Authorities as well as credit exposures to the Council's customers and bankers.

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 one 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 the 31 March 2017 the net financial effect would be increased interest income of £792k.

Price Risk

The Council's Treasury Management Strategy does not allow for transacting in marketable instruments and thus it has no exposure to market price movements.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to movements in exchange rates.

12.13.4.2 Portfolio Analysis

Analysis of Loans Portfolio at Maturity Value by Lender and by Maturity Profile at 31 March 2017

Due for Redemption Within:	1 Year	2 Years	3 to 5 Years	6 to 10 Years	Over 10 Years	Total 2016-17
	£000	£000	£000	£000	£000	£000
Market Loans	-	-	-	-	40,000	40,000
Loans managed by other Authorities	-	-	-	-	-	-
NAW	100	100	100	-	-	300
PWLB	1,417	1,599	11,943	19,657	127,234	161,850
Total	1,517	1,699	12,043	19,657	167,234	202,150
Fixed rate	1,517	1,699	12,043	19,657	152,234	187,150
Variable rate	-	-	-	-	15,000	15,000
Total	1,517	1,699	12,043	19,657	167,234	202,150

12.13.4.3 Analysis of Investment Portfolio at Maturity Value by Credit Exposure and by Maturity Profile at 31 March 2017

Due for Realisation Within :	1 Year	2 Years	5 Years	Total 2016-17
	£000	£000	£000	£000
Specified Investments (duration when made less than 364 days)				
UK Government	-	-	-	-
Banks & Building Societies	65,615	-	-	65,615
Local Authorities	-	-	-	-
Non Specified (duration when made greater than 364 days)				
Banks & Building Societies	4,000	-	-	4,000
Local Authorities	-	-	-	-
Total	69,615	-	-	69,615
Fixed rate	55,000	-	-	55,000
Variable rate (Call Accounts)	14,615	-	-	14,615
Total	69,615	-	-	69,615

12.13.5 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.

	2015-16 £000	2016-17 £000
Balance 1 April	1,439	1,212
Settlement or cancellation of preceding year's accrual	(1,439)	(1,212)
Accrual for current year	1,212	1,524
Balance 31 March	1,212	1,524

12.13.6 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.

12.13.7 Pensions Reserve

The Pensions Reserve relates to the Dyfed Pension Scheme (see note 10.5) 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.

	2015-16 £000	2016-17 £000
Balance 31 March	109,414	105,952
Opening Balance Adjustment (ERW)	(40)	-
Balance 1 April	109,374	105,952
Remeasurements of Pension Liabilities and Assets	(12,853)	40,855
Reversal of items chargeable to the surplus/ deficit on the provision of services in the Comprehensive Income and Expenditure Statement	20,210	19,614
Employers pension contributions and other direct payments in the year	(10,779)	(11,023)
Balance 31 March	105,952	155,398

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.

	2015-16		2016-17	
	HRA Working Balance	Earmarked HRA Reserves	HRA Working Balance	Earmarked HRA Reserves
	£000	£000	£000	£000
Balance 1 April	(752)	(6,243)	(752)	(6,565)
(Surplus) / Deficit On HRA Services	145,120	-	(108)	-
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 and impairment of Council dwellings & infrastructure *	(73,792)	-	(9,614)	-
- Capital Grants treated as revenue income	3,968	-	3,980	-
- Net gain or loss on disposal of non-current assets	(16)	-	10	-
- Pension Cost Adjustment	(924)	-	(912)	-
-HRA Subsidy Exit Settlement **	(80,733)	-	-	-
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	1,692	-	1,641	-
- Revenue contribution to finance capital	3,820	-	2,615	-
- Employer's contribution to the Dyfed Pension Fund	465	-	495	-
Net (Increase) / Decrease Before Transfers (To) / From Reserves	(145,520)	-	(1,785)	-
Transfers (To)/ From Reserves	400	(322)	1,893	(1,682)
(Increase) / Decrease In Year	(145,120)	(322)	108	(1,682)
Balance 31 March	(752)	(6,565)	(752)	(8,247)

*Council Dwellings and all specialised assets within Land & Buildings were revalued during 2015-16 resulting in a significant revaluation loss being recognised in the Comprehensive Income and Expenditure Statement. (See also HRA Income and Expenditure Statement below).

** In 2015-16 the exit of the HRA Subsidy system was finalised. In order to cease future subsidy payments the Authority made a one off payment of £80,733k to WG. This was funded by loans secured from the Public Works Loan Board (PWLb). Under this arrangement the HRA will be significantly better off each year than if the subsidy arrangement had continued. (See also HRA Income and Expenditure Statement below).

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.

	2015-16			2016-17		
	Rent Setting	Adjusts	IFRS Report	Rent Setting	Adjusts	IFRS Report
	£000	£000	£000	£000	£000	£000
Income						
Rents: Dwellings (gross)	(19,825)	-	(19,825)	(20,564)	-	(20,564)
Other	(361)	-	(361)	(373)	-	(373)
Charges for services and facilities	(197)	-	(197)	(414)	-	(414)
Contributions towards expenditure	(663)	-	(663)	(622)	-	(622)
Total Income	(21,046)	-	(21,046)	(21,973)	-	(21,973)
Expenditure						
Repairs and maintenance (Pensions IAS19 adj)	7,163	102	7,265	7,705	98	7,803
Supervision and management (Pensions IAS19 adj)	3,452	198	3,650	3,561	146	3,707
Rents, rates, taxes & other charges	40	-	40	25	-	25
HRA subsidy payable	(3)	-	(3)	-	-	-
Bad debt provision	63	-	63	223	-	223
Depreciation and impairment of non	-	73,793	73,793	-	9,614	9,614
Debt management costs	38	-	38	10	-	10
HRA Subsidy Exit Settlement **	-	80,733	80,733	-	-	-
Total Expenditure	10,753	154,826	165,579	11,524	9,858	21,382
Net Cost of HRA Services	-	-	144,533	-	-	(591)
HRA services share of corporate and democratic core	61	-	61	70	-	70
HRA Services share of non distributed costs	-	-	-	-	-	-
Net Cost / (Income) of HRA Services	(10,232)	154,826	144,594	(10,379)	9,858	(521)
HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement						
Interest receivable	(4)	-	(4)	(1)	-	(1)
Minimum Revenue Provision	1,692	(1,692)	-	1,641	(1,641)	-
Interest payable (including debt redemption premiums and discounts)	4,324	-	4,324	4,230	-	4,230
Appropriations to Reserves	4,220	(4,220)	-	4,509	(4,509)	-
(Gains)/Loss on HRA assets	-	16	16	-	(10)	(10)
Major Repairs Allowance & Other Grants	-	(3,969)	(3,969)	-	(3,980)	(3,980)
Pensions interest costs and expected rate of return	-	159	159	-	174	174
(Surplus) / Deficit for Year on HRA Services	-	145,120	145,120	-	(108)	(108)

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 5,658 dwellings and 1,076 shops and garages in 2016-17 comprising of:

	Stock at 1 April 2016	Additions	Transfers	Sales / Demolitions	Stock at 31 March 2017
Houses / Bungalows	4,385	3	2	(12)	4,378
Bedsits and Flats	1,276	2	-	(1)	1,277
Shops and Garages	1,076	-	-	-	1,076
Pumping Stations & Treatment Works	27	-	-	-	27
Total Stock	6,764	5	2	(13)	6,758

* 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 1.4% in 2016-17, plus up to £1.00 per week 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 £70.44. Individual rent increases applied varied between £0.61 and £2.69 per week. The comparative figures for 2015-16 are 2.7% and £68.54 respectively.

Tenants & Former Tenants	2015-16 £000	2016-17 £000
Gross Arrears	1,398	1,355
Bad Debt Allowance	(902)	(858)
Net Arrears at 31 March	496	497

13.3.3 SERVICE CHARGES

Welsh Government require Service Charges to be De-pooled from rents. During 2016-17 tenants were charged for all services received with the exception of Grounds maintenance services. Individual tenants were charged between £0.11 and £21.05 per week. 1,197 PCC tenants were charged for services with the average weekly charge being £5.00 per week (52 week)

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.

Property Plant & Equipment

Owned Assets	Council Housing £000	Other HRA Land & Buildings £000	Infra- structure £000	Council Housing Assets £000
Cost or Valuation				
At 1 April 2016	244,388	832	7,037	252,257
Additions	6,235	-	423	6,658
Derecognition - disposals	-	-	(16)	(16)
Derecognition - other	-	-	-	-
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount	(56)	(1)	-	(57)
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	209	7	-	216
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	208	(3)	-	205
Reclassifications - PPE & Investment	-	-	(73)	(73)
Reclassifications - Held for Sale	(1,074)	-	-	(1,074)
At 31 March 2017	249,910	835	7,371	258,116
Depreciation & Impairments				
Depreciation	3	(102)	(474)	(573)
Impairment	(45,322)	-	(452)	(45,774)
At 1 April 2016	(45,319)	(102)	(926)	(46,347)
Depreciation Charge for 2016-17	(3,656)	(37)	(165)	(3,858)
Impairment Losses to Revaluation Reserve	-	-	-	-
Impairment Losses to Surplus/Deficit on the Provision of Services*	(5,844)	-	(15)	(5,859)
Disposals:				
~ W/O Accumulated Depreciation	-	-	1	1
~ W/O Accumulated Impairment	-	-	15	15
Revaluations:				
~ W/O Accumulated Depreciation	56	1	-	57
~ W/O Accumulated Impairment	-	-	-	-
Reclassifications:				
~ Transfer Accumulated Depreciation b/fwd	2	-	-	2
~ Transfer Accumulated Impairment b/fwd	-	-	-	-
At 31 March 2017	(54,761)	(138)	(1,090)	(55,989)
Balance Sheet Amount at 31 March 2017	195,149	697	6,281	202,127
Balance Sheet Amount at 1 April 2016	199,069	730	6,111	205,910

* £5,844k impairment relates to the value of work undertaken to improve HRA assets but does not increase the value of the assets.

13.3.5 HRA CAPITAL EXPENDITURE AND RECEIPTS

Total Capital Expenditure Funded by:	2015-16 £000	2016-17 £000
Major Repairs Allowance Grant	3,969	3,980
Capital Grants & Contributions	37	63
Capital Receipts	-	-
Capital Fund	3,620	2,615
Total	7,626	6,658
Receipts From Asset Disposals	866	1,081

13.3.6 HRA PENSION COSTS

HRA pension contributions of £244k from the Pension Reserve were made in accordance with Accounting Policy 8.8 as set out in the Statement of Accounting Policies.

13.3.7 POST BALANCE SHEET EVENTS

None

14.0 OTHER ACCOUNTS PREPARED OR CONTROLLED BY THE COUNCIL

14.1 Welsh Church Act Fund Account

The Dyfed Welsh Church Act Fund was established as a result of local government re-organisation in 1974 that brought together the three former counties of Carmarthenshire, Cardiganshire and Pembrokeshire to establish the former Dyfed County Council.

Following the subsequent local government re-organisation on the 1 April 1996 the Fund was dis-aggregated to each new Unitary Authority on the following basis:

Ceredigion County Council	25%
Carmarthenshire County Council	41%
Pembrokeshire County Council	34%

In order to maximise investment income the three Funds are managed as one by Carmarthenshire County Council on behalf of all the Authorities.

The administration of the Fund is governed by a model scheme that allows for the consideration of providing financial assistance towards charitable purposes to assist the community in various ways. Details can be obtained from the Director of Finance, County Hall, Haverfordwest.

The Welsh Church Act Fund transactions are shown below. Grant payments in the year are made from the Council's own accounts with reimbursement received from the Church Act Fund account after the year end.

Revenue Account	2015-16 £000	2016-17 £000
Income		
Rent of Buildings & Land	(5)	(5)
Investment Income	(26)	(24)
Total Income	(31)	(29)
Less: Administration Costs	6	6
Surplus to Accumulated Fund	(25)	(23)
Disbursement Re Grant Payments	57	55
(Surplus) / Deficit for Year	32	32
Capital Account		
Net Profit on Realised Investments Reinvested in Year	(13)	(16)
Change in Unrealised (Gains)/Losses	55	(194)
Net Assets Statement as at 31 March		
Investment Assets at Market Value	1,086	1,269
Fixed Assets	323	323
Net Current Assets	345	340
Net Assets	1,754	1,932
Accumulated Funds		
Capital	(758)	(747)
Revaluation Reserve	(170)	(170)
Revenue	(345)	(340)
Unrealised Profit Reserve	(335)	(529)
Capital Adjustment Account	(146)	(146)
Total Accumulated Funds	(1,754)	(1,932)

14.2 Trust Funds and Monies Held in Trust

The Council administers the following Trust Funds for which separate accounts are prepared. The new Accounting and Reporting by Charities Statements of Recommended Practice came into force in April 2005.

14.2.1 Education and Children's Services

The following trusts, which are administered by schools, provide scholarships, prizes and grants to pupils and local educational groups:

Margaret Morgan Prize Fund
Aveston Prize
Brenda Lloyd Scholarship
Beatrice Margaret Williams
Canon G Davies
Ann Warren
Thomas Beynon Foundation
C Newton Head Girl's Prize
A G Breeze Memorial Prize
Eric Thomas
Hugh Blackman Trust
Overdale Amenity Fund
Carey George Head Boys Prize
Wynford Davies History Prize
Amenity Fund
Dora Thatcher Prize
Narberth Educational Charity
Pembs Intermediate & Technical Fund
Garfield Williams Fund

14.2.2 Social Services

Monies are held in trust for children and residents by the Council.
In addition the Council administers the following trust fund accounts:
St Brides Aid In Sickness
E. E. Forsyth Trust
Lily Davies Trust
Mem Blewitt Bequest Trust Fund
H. E. A. Richards

14.2.3 Cultural Services

Picton Playing Field Trust – was created to manage the Picton Playing Field in Haverfordwest.

Tenby Swimming Pool – was created to manage the Tenby swimming pool.

14.2.4 Summary Revenue Accounts

April To March		Income	Expenditure	Contribution (to) from Balances
		£000	£000	£000
Education & Children's Services	Trusts - 2015-16	(5)	2	(3)
	- 2016-17	(5)	2	(3)
Social Services Trusts	- 2015-16	(108)	109	1
	- 2016-17	(19)	25	6
Tenby Swimming Pool	- 2015-16	(267)	267	-
	- 2016-17	(292)	292	-
The Picton Playing Field Trust transactions for 2015-16 & 2016-17 were under £1,000				

14.2.4.1 Balance Sheet

Balance Sheet As At 31 March	Education & Children's Services		Social Services		Tenby Pool	
	2015-16 £000	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000	2016-17 £000
Fixed Assets(net)	-	-	-	-	1,997	1,611
Debtors	32	35	148	142	-	-
Stock	-	-	-	-	2	2
Investments	125	125	1	1	27	22
Total Assets	157	160	149	143	2,026	1,635
Creditors	-	-	-	-	(12)	(7)
Net Assets	157	160	149	143	2,014	1,628
Represented By:						
Residents Property	-	-	(2)	-	-	-
Legacies / Criminal Injury Compensation	-	-	(64)	(66)	-	-
Accumulated Funds:	(157)	(159)	(83)	(77)	(2,014)	(1,628)
	(157)	(159)	(149)	(143)	(2,014)	(1,628)
The Picton Playing Field Trust has no assets or liabilities						