

Pembrokeshire County Council

Annual Financial Report Including Statement of Accounts

2017-18



26 July 2018

INDEX	PAGE
1.0 NARRATIVE REPORT – SUMMARISED FINANCIAL PERFORMANCE	2 - 26
2.0 AUDITORS CERTIFICATE	27 - 29
STATEMENT OF ACCOUNTS	
3.0 Statement of Responsibilities for the Statement of Accounts	30 - 31
4.0 Core Financial Statements – Underlying Principles	32
5.0 Accounting Concepts	33
6.0 Critical Judgements in Applying Accounting Policies and Estimation Risk	34 - 35
7.0 Core Financial Statements – Components and Detail	36 - 43
8.0 Accounting Policies	44 - 57
9.0 Notes to the Expenditure and Funding Analysis	58 - 61
10.0 Notes to Comprehensive Income and Expenditure Statement	62 - 74
11.0 Notes to Movement in Reserves Statement	75 - 78
12.0 Notes to the Balance Sheet	79 - 99
13.0 Housing Revenue Account	100- 104
14.0 OTHER ACCOUNTS MANAGED BY THE COUNCIL	105

1.0 NARRATIVE REPORT

1.1 INTRODUCTION

Pembrokeshire County Council's Statement of Accounts for 2017-18 provides a record of the Council's financial performance and position for the year. This section of the report is in a new format and aims to communicate the Council's purpose, how it has performed in accordance with its overall strategy and against performance indicators over the year, and how it has allocated its resources in line with intended outcomes. It demonstrates collective performance over the year and how well the Council is equipped to deal with the challenges ahead and to continue delivering services and supporting its local community. It tells the story of the Council by providing a holistic, clear and well-structured view of its strategy, governance, performance and future outlook.

1.2 ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

1.2.1 Key Facts about Pembrokeshire

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

The county has a resident population of about 124,000, which increases very considerably throughout the summer months through tourism. It is essentially rural in character, with the largest centres of population being Haverfordwest (the county town), Tenby, Milford Haven, Pembroke and Pembroke Dock and Fishguard, together with the smaller town of Narberth. The towns are quite distinct with their own character and identity. In the countryside there are many attractive villages. As well as its natural beauty, the county has a considerable historical heritage, most obviously reflected in the castles dotting the landscape, and in the cultural contrast between the south and north.

The economy of Pembrokeshire includes its thriving tourism sector, which has seen a significant expansion in recent years. Agriculture also remains an important feature of the rural economy. As one of the finest deep water harbours in the country, the Milford Haven estuary is an important centre for the energy industry, with facilities for oil refining, storage and distribution. It has recently seen further investment with the commissioning of two major facilities for the importation of liquified natural gas, and a new gas-fired power station. As well as the industrial presence, the estuary is also a popular area for leisure activities including yachting and watersports.

For many people, Pembrokeshire holds a strong attraction as a place to live and work; their reasons for this can probably be summed up in one phrase – quality of life.

The Council employs around 5,847 people, based on the December 2017 payroll, including those working in Schools, 153 less than in December 2016. The annual cost of employing the workforce remains in the region of £136m, 40% of its gross expenditure budget.

1.2.2 Political Profile

Pembrokeshire County Council is one of the 22 unitary (i.e. all purpose) local authorities established following the reorganisation of local government in Wales, and came into operation in April 1996. The Council comprises 60 elected Members and has adopted the Leader and Cabinet model of governance.

The current political make-up of the Council (at March 2018) is 21 Unaffiliated, 14 Independent Political Group (IPG), 11 Conservative, 7 Labour, 6 Plaid Cymru and 1 Liberal Democrat Councillor.

From 1996 to 2017, Pembrokeshire was administered by an Independent Political Group, the IPG. Following the County Council elections in May 2017, a mix of Labour, Plaid Cymru, Liberal Democrat and unaffiliated Councillors formed a Cabinet led by an unaffiliated Leader.

The Cabinet and their portfolios are shown below:

- Cllr David Simpson – Leader of the Council (Unaffiliated)
- Cllr Neil Prior – Cabinet Member for Transformation and ICT (Unaffiliated)
- Cllr Paul Miller – Cabinet Member for Economy, Tourism, Leisure and Culture (Labour)
- Cllr Phil Baker – Cabinet Member for Planning and Infrastructure (Unaffiliated)
- Cllr Bob Kilmister – Cabinet Member for Finance (Liberal Democrat)
- Cllr Cris Tomos – Cabinet Member for Environment and Welsh Language (Plaid Cymru)
- Cllr Tessa Hodgson – Cabinet Member for Social Services (Unaffiliated)
- Cllr Pat Davies – Cabinet Member for Housing and Regulatory Services (Unaffiliated)
- Cllr David Lloyd – Cabinet Member for Education and Lifelong Learning (Unaffiliated)

The next County Council elections are expected to take place in May 2022.

1.2.3 Programme for the Administration 2018-22

During 2017-18, the new Cabinet prepared their Programme for the Administration, setting out their aims and aspirations. It is designed to deliver positive and lasting change for Pembrokeshire and Cabinet have committed to review it on an annual basis.

The Programme for the Administration underpins the 2018-19 Corporate Plan and will be a key influence of the development of the Council's Transformation Programme.

1.2.4 Management Structure

The Cabinet and elected Members are supported by the Council's Corporate Management Team which is led by the Chief Executive:

- Ian Westley – Chief Executive – Central Services, Transportation and Environment
- Jon Haswell – Director of Finance
- Steven Jones – Director of Development
- Kate Evan-Hughes – Director for Children and Schools
- Jon Griffiths – Director of Social Services

The Corporate Management Team is responsible for implementing the Corporate Plan (including Well-being objectives) of the Council, providing leadership and management direction and ensuring that a corporate focus is brought to bear on all significant managerial issues and problems. The Directors work with the Chief Executive to enable the Council to achieve its goals through a co-ordinated process of service improvement planning, performance management and continual

improvement. The portfolio of functions and business activities assigned to each Director is, of necessity, flexible to enable the organisation to respond effectively to internal and external change.

The Chief Executive and Directors are supported by Heads of Service who are accountable for the operational management, performance and forward planning of discrete services, collectively known as Divisions. A review of the senior management arrangements of the Council is to be undertaken by the Chief Executive during 2018-19.

1.2.5 Pembrokeshire Public Services Board (PSB) Well-being Plan

The PSB was established in April 2016. Its recently published Well-being Plan replaces the Pembrokeshire Single Integrated Plan 2013 – 2018 and it reflects the requirements and expectations set out in the Well-being of Future Generations Act (Wales) 2015. The Act requires each local authority area in Wales to establish a PSB and places a collective “well-being duty” on each Board. This means that through working together - and by working differently - public, private and voluntary sector partners are required to produce a plan which sets out how we will improve the well-being of people and communities in Pembrokeshire, now and in the future. The Well-being plan will be reviewed every five years.

The Well-being Plan has two broad Well-being Objectives, each supported by two priorities which identify the key issues for people:

- Objective 1 - Who We Are - We want to help our people, communities and organisations so that we can support ourselves and each other.
Priority 1 – Living and Working
Priority 2 – Resourceful Communities
- Objective 2 - Where We Live - We want to protect and enhance our natural assets whilst optimising economic prospects, accessibility and health for all.
Priority 1 – Tackling Rurality
Priority 2 – Protecting our Environment

The Well-being Plan is fully integrated, meaning that the eight projects below work towards meeting all four priorities and maximise the contribution to the seven national Well-being Goals and the delivery of the Well-being Objectives:

- Recruitment and Employment Transformation Framework
- Environmental and Climate Change Risk Assessment
- Becoming a Carbon Neutral County
- Doing Things Differently
- Celebrating the Great Outdoors
- Community Participation
- Understanding our Communities
- Meaningful Community Engagement

1.2.6 Council Vision

The Council Vision, approved by Council in July 2016, is “Working Together to Improve Life in Pembrokeshire”.

1.2.7 Improvement Review 2016-17

The Improvement Review 2016-17, completed during 2017-18, considered the achievement of the following five improvement objectives:

- School Improvement
- Town Centres Regeneration
- Adult Social Care
- Governance
- New Ways of Working

It concluded that whilst we can be broadly satisfied with our service based improvement objectives, and the work that we have started on improving governance processes, it is clear that we need to make much more progress on our Transformation agenda.

1.2.8 Corporate Plan (Including Well-being Objectives) for 2017-18

The Corporate Plan 2017-18 built on the good progress made in the past five years. In 2016 we were ranked as the second best performing Council in Wales and for the past two successive years we have been amongst the most improved Councils in Wales.

The Council's Well-being objectives for 2017-18 were:

- Raising overall standards of achievement;
- Healthy Communities – This is supported by two objectives: communities supported by affordable and appropriate housing and improving social care;
- Increase the economy's productivity and address regeneration issues;
- Safeguarding our environment;
- Self-sustained and vibrant communities.

As well as our well-being objectives, we set a cross cutting objective entitled "transformation on how the Council will change its services".

The Improvement Plan 2017-18 will consider the achievement of these Well-being objectives.

1.2.9 Corporate Plan (Including Well-being Objectives) for 2018-19

The Corporate Plan has been influenced by Cabinet's Programme for the Administration 2018-22. Over the next four years, there will be more emphasis on housing (especially affordable housing), regeneration (including an investment fund), our environment and working with communities to help them improve local well-being. We will also continue to prioritise education and improving social care.

The Well-being objectives reflect the Programme for the Administration as well as the Pembrokeshire Public Service Board's Well-being plan.

The Council's Well-being objectives for 2018-19 are:

- Continue to improve education outcomes so that every child achieves and contributes more than they thought possible.
- Continue to change how we deliver social care by promoting prevention and healthy lifestyles to improve well-being.
- Support the right environment for businesses to grow and to assist secure and sustainable employment.
- Enable and facilitate a range of affordable and market housing in urban and rural areas.
- Self-sustained, resourceful and vibrant communities.
- Protect our environment

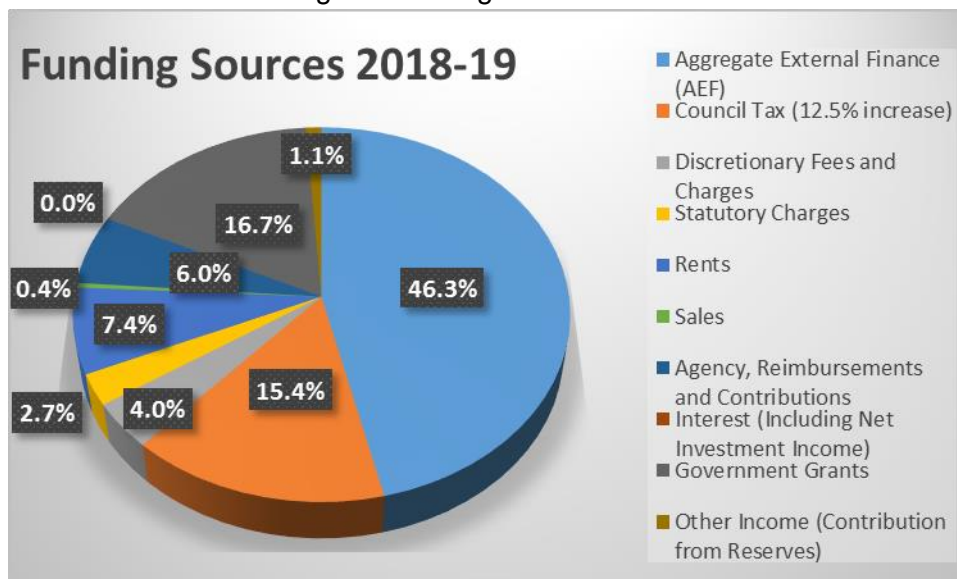
As well as our Well-being objectives, we have set a cross-cutting objective entitled "Transformation" which focuses on how the Council will change its services. This will be the third

year we have had Well-being objectives around organisational change. Whilst we are making some progress in this area, we need to pick up the pace of change.

1.2.10 Funding Sources

The Council receives its funding from two main sources – Aggregate External Finance (AEF) and Council Tax. The AEF, comprising of Revenue Support Grant (RSG) and Redistributed National Non-Domestic Rates, is awarded by Welsh Government and for 2018-19 is £161.8m. This will now account for 46.3% of the Council’s total income, 0.8% higher than in 2017-18. With the 12.5% increase in Council Tax for 2018-19, Council Tax received from residents will contribute a further 15.4%, 1.5% higher than 2017-18, with the remaining 38.3% coming from sources such as specific Government and European grants and income from fees and charges.

The chart below identifies the budgeted funding sources for 2018-19.



1.2.11 Strategic Partnerships

Following an extensive review by Officers, the Council’s key Strategic Partnerships have been identified as:

Corporate

- Pembrokeshire Public Services ‘Board’/proposed Joint Committee
- ‘Safer Pembrokeshire’ – Community Safety Partnership
- Procurement Agreement

Children and Schools

- ERW (Education Regional Consortium)
- Regional Learning and Skills Partnership
- Pembrokeshire College

Social Care

- West Wales Care Partnership
- Health, Social Services and Well-being Commission Partnership Board
- Mid and West Wales Safeguarding Board: Adults
- Mid and West Wales Safeguarding Board: Children
- Mid and West Wales Adoption Service
- Three Counties Carers Officer Group

Development

- Swansea Bay City Deal ‘Board’/proposed Joint Committee

- Pembrokeshire Nature Partnership
- Regional Substance Misuse Area Planning Board

Housing

- Pembrokeshire Housing Register Partnership

1.3 GOVERNANCE

1.3.1 Local Code of Governance

The revised Local Code of Governance (including the Council's Ethical Framework) was approved by Cabinet on 12 June 2017.

1.3.2 Annual Governance Statement

The Annual Governance Statement for 2016-17 was approved by Council on 23 July 2017 and included three Significant Governance Issues (SGI) and twelve Priorities for Improvement (PFI), all identifying specific actions to be undertaken during 2017-18:

- Financial Challenges (SGI)
- Transformation Programme (SGI)
- Local Government Reform (SGI)
- Secondary School Financial Planning (PFI)
- Secondary School IT Networks (PFI)
- Options Appraisal and Evidencing Rationale for Decision Making (PFI)
- Workforce Planning (PFI)
- Strengthening Risk Management Arrangements (PFI)
- Management of Commercial Tenancies (PFI)
- Reviewing the Effectiveness of Assets (PFI)
- Partnership Governance Arrangements (PFI)
- Management of Data and Preparation for the General Data Protection Regulation (GDPR)
- Support for the new Administration/Members (PFI)
- Post Implementation Review and Lesson Learned (PFI)
- Corporate Contract Monitoring (PFI)

The Annual Governance Statement for 2017-18 will be considered by the Audit Committee on 12 July 2018 and approved by Council on 26 July 2018.

1.3.3 Audit Committee

The Audit Committee monitor and challenge the implementation of the specific actions relating to the SGI's and PFI's via a quarterly report, with further issues identified during the year flagged up to them by the use of red and amber stars.

1.4 OPERATIONAL MODEL

1.4.1 Transformation Programme 2017-18

The Transformation Programme was initially developed in 2016-17 following agreement that the Council needed to do less of the same, stop providing some services and do things differently. It was acknowledged that the "annual % net budget cut" approach to identifying cost reductions/efficiencies/ service transformations was no longer an effective or efficient mechanism and a more sophisticated approach would be required in order to deliver these cost reductions/efficiencies/service transformations in future years.

The Transformation Programme identified opportunities for transforming the way in which the Council functioned, operated and delivered services to its customers, whilst also identifying opportunities to realise cost reductions/efficiencies/service transformations and increased income generation. The transformation agenda for the Council encompassed consideration of devolution, co-production and co-design as part of a programme to change behaviour from dependency to support more self-reliant and sustainable communities. There were eleven transformation work streams created, broadly designed around the Price Waterhouse Coopers (PWC) recommendations.

A Head of Transformation post was created in late 2016 and remained until his departure in late 2017. During his tenure it was realised that the potential savings and timescales for achievement identified by PWC had been shown to be overly ambitious and generally involved the loss of staff. It was also realised that the creation of the post of Head of Transformation and the small Transformation Team had resulted in some Heads of Service taking their “foot off the gas”, believing wrongly that the Transformation Team would deliver the savings required to bridge the funding gap over the term of the Medium Term Financial Plan. Due to this, the Transformation Programme was refocused to emphasise that it was there to provide Directors and Heads of Service with the tools required to enable them to meet their cost reduction/efficiency/service transformation targets, supported by the Transformation Team.

1.4.2 Aligning the Levers of Change – Wales Audit Office (WAO)

During September 2017, the WAO issued their final report “Aligning the Levers of Change – Pembrokeshire County Council”, based on their thematic review to find out how Council’s are addressing current challenges and managing change. Key observations were made around:

- The Vision for the Transformation Programme
- Leadership of the Transformation Programme
- Skills and Capacity
- Learning through the Change Programme
- Communication
- Scale and Pace of Change
- Stage of Transformation
- Achievement of Outcomes

A follow-up review of the Transformation Programme was undertaken in March 2018 but the report has yet to be issued.

1.4.3 Remodelled Transformation Programme

The Transformation Programme Governance Arrangements and Remodelled Transformation Programme were approved by Cabinet on 16 April 2018. Following the departure of the Head of Transformation and in consideration of the aforementioned WAO report, an opportunity was taken to remodel, redesign and refocus the current Transformation Programme around three themes:

- Technological Transformation
- Cultural Transformation
- Relationships Transformation

The primary aims were to put in place clear governance arrangements, improving communication and ensuring change is delivered at pace and in accordance with predetermined milestones and timescales.

Each Transformation theme has an Executive Sponsor and Theme Lead and is underpinned by a number of work streams with a Work Stream Lead: The work streams are detailed below

Technological Transformation:

- Agile Working
- EDMS & Information Management
- Digital
- Financial Management System
- Customer Management

Cultural Transformation:

- Organisation Redesign*
- Strategic and Support
- Establishment Control
- People/Behaviour/Lean Working
- Commercial Council
- Income Growth/Full Cost Recovery
- Category Management
- Alternative Delivery Models
- Service Prioritisation
- Business Process Re-engineering

*The Organisation Redesign work stream will need to be completed before some of the Cultural Transformation Theme can be implemented. The Organisation Redesign work stream will be deleted as a work stream upon completion.

Relationships Transformation:

- Town & Community Council
- Wider Public & Private Sector
- Third Sector & Volunteers
- Collaboration & Shared Services
- Access to Services (Inc. Assets)
- Behavioural Insights

1.4.4 Transformation Programme Governance Arrangements

The governance arrangements for the Transformation Programme, detailed below, have strengthened oversight, transparency, ownership, communication, delivery and recognition of all stakeholders:

Senior Responsible Officer: Director of Finance					
Executive Sponsor: Technological Transformation Director for Children and Schools	Input	Delivery	Output	Executive Sponsor: Cultural Transformation Director of Social Services	
	Overview & Scrutiny Committees	Council	Stakeholders		
		↕	Staff		
	Capital Board	Cabinet	Clients		
		↕	Customers		
	Strategic Asset Management Group	Transformation Programme Board (Advisory Only)	Members		
		↕	Town & Community Councils		
	Corporate Risk Management Group	Transformation Co-ordination Board	Overview & Scrutiny Committees		
		↕	Audit Committee		
	ICT and Information Governance Steering Group	Work Streams	Consultative Groups		
Consultative Groups	Project Boards				
Public					
Member Groups					
CMT					
Executive Sponsor: Relationships Transformation Director of Development					

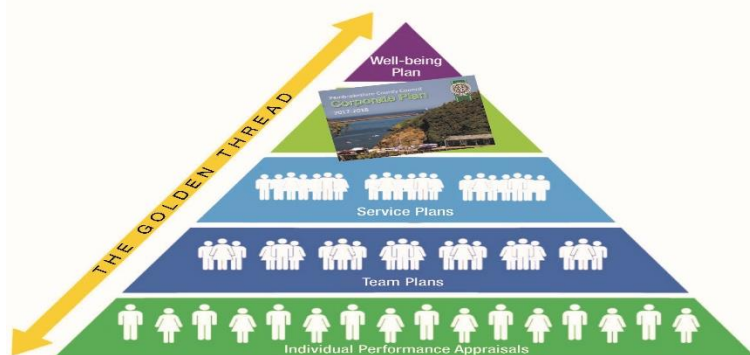
1.4.5 Target Operating Model Principles

In February 2016, the Council approved the principles that will shape what it will look like in the future and what its fundamental relationships with citizens, customers and partners will be. These principles will underpin how the organisation is transformed:

- **Customers:** We will expand the range of services that are available to customers through self-service on-line. We will standardise processes so that it is easier to resolve queries in the ‘front office’. We will need to streamline customer records.
- **Organisation:** We will continue to review existing structures, moving away from departments organised around professions. We will need to recoup more of the cost of more services. We will also adopt a much more flexible approach to who delivers services and work with or through other public, private or third sector organisations.
- **People:** More of our employees will work generically (existing job roles will be merged together). We will support a more empowered organisation and facilitate employees to work more flexibly and from different locations.
- **Location:** We will consolidate where we deliver services from, with Haverfordwest as the central location supported by a series of satellite offices at locations across Pembrokeshire. We will also look to share accommodation with other partner organisations.
- **Digital:** We will make a clear commitment to using available technologies to deliver services. We will look to establish a single customer record for our customers in order to reduce duplication.
- **Governance:** We will streamline decision making and concentrate on achieving outcomes. We will clarify Officer and Member roles and continue with scrutiny arrangements that support the Cabinet’s forward work programme, for example re-focusing scrutiny on holding partnerships to account. We will encourage Members to focus on strategic responsibilities and on achieving the best outcomes for everyone in Pembrokeshire.

1.4.6 Performance Management Framework

The Council’s Performance Management Framework, dated December 2017, enables all staff working for the Council to identify how their work contributes to achieving the organisation’s overall objectives. We achieve this by compiling and publishing a hierarchy of aligned plans, see below. The highest level plans describe our objectives, set the strategic direction and take a long term view. By contrast, individual officer performance review plans are reviewed annually, and in many cases, twice a year. The link between these plans is often referred to as the “Golden Thread”.



1.5 RISKS AND OPPORTUNITIES

1.5.1 Business Risk Management Strategy 2015-17

The Business Risk Management Strategy 2015-17 was approved by the Audit Committee in June 2015. A revised version will be submitted to the Audit Committee for approval in the summer 2018.

1.5.2 Corporate Risk Register (Threats) for 2017-18

The Corporate Risk Register (Threats) for 2017-18 identified those risks to achievement of the Council's Well-being Objectives and was approved by Cabinet on 10 July 2017. As a live document, it is revised and updated on an ongoing basis and was last formally reviewed by the Audit Committee on 23 March 2018. The corporate risks, their risk score and RAG (red, amber & green) ratings at the start and finish of the year are shown below:

Corporate Risk	1 April 2017	31 March 2018
	Risk Score / RAG	Risk Score / RAG
Vision and Corporate Objectives	16	16
Medium Term Financial Plan/Transformation	12	16
Loss of Key Staff, Corporate Memory and Expertise	12	12
Information Governance	8	12
Welsh Language Standards	12	9
Grant Funding	9	9
Member Officer Relations	8	8
Safeguarding	8	8
Key Stage 4 Underperformance	8	8
Demand and Demographics	6	8
Joint Working and Partnership Arrangements	9	6
21 st Century Schools Programme & Project Management (Band A)	8	6
Regulatory Recommendations	6	6

1.5.3 Longer Term Business Risks

There are a number of longer term (horizon scanning) business risks which have been identified:

- Loss of a Significant Employer in the County
- Local Government Reform - In March 2018, Welsh Government (once again) put forward proposals that would see Pembrokeshire lose its identity within a larger regional Council. Council tax harmonisation following any merger with another local authority could be a significant financial burden on Pembrokeshire
- Affordability of Future Capital Borrowing Requirements
- Cyber Security
- Brexit
- Downgrading of Withybush Hospital

These risks may be escalated to the Corporate Risk Register due to changes in proximity.

1.5.4 Key Financial Risks for Budget Setting 2018-19

Some of the key risks considered by Council when setting the budget for 2018-19 are outlined below:

- **Well-being Objectives** - A considerable amount of work has been undertaken in recent years to align the approval of the Corporate Plan and the Budget, namely the Council's Well-being objectives should be approved prior to the approval of the budget. Due to the Programme for Administration not being publicised at the time of setting the budget and this needing to inform the Well-being objectives for 2018-19, the budget was prepared based on the draft Well-being objectives. If any had not been approved, or any had been added, there was a risk that they would not have been appropriately funded for 2018-19.
- **National Pay Award** - The Unions had rejected the current pay award, which was already £1m more than was originally budgeted for in 2018-19 and £0.7m more than was originally budgeted for in 2019-20. Any further increases in pay awards will be an unfunded burden for 2018-19 and it is likely to be an unfunded burden for the remainder of the MTFP.
- **Cost Reductions/Efficiencies/Service Transformations** - £4.0m of the £10.0m cost reductions/efficiencies/services transformations already identified are RAG rated red meaning their deliverability or achievability will be challenging.
- **Council Tax Income/Collection** - There are two risks in respect of Council Tax, the first being 2nd Home Owners leaving the Council Tax regime and reverting to NNDR thus depriving the Council of Council Tax income, and the second being the risk of not collecting all Council Tax due in 2018-19, especially with a 12.5% Council Tax increase and more Council Tax payers moving to 12 monthly instalments.
- **Grant Funding** - The allocation of grant funding on an all Wales basis and its full impact on Pembrokeshire was not known at budget setting, albeit it was anticipated that there would be significant reductions, e.g. Post 16 Education Funding Grant reduced by £556k for 2018-19. Any reduction in grant funding will be particularly challenging for those services reliant on it, especially when they have already been asked to make a 5% reduction in their net expenditure budget for 2018-19. When grant notifications are received just before the start of the new financial year, it leaves little time to make alternative service arrangements and makes financial and staff resource planning challenging. There is a significant risk that when the UK Government exits from the European Union (Brexit), Pembrokeshire will lose a significant number of opportunities to obtain European grant funding.
- **Reducing Workforce** - There will be some reduction in staffing numbers associated with the £10.0m of cost reductions/efficiencies/service transformations identified, albeit it is anticipated that these numbers will be limited. Schools are likely to be the service area most at risk. The 12.5% Council Tax increase means there should be no additional requirement for a reduction in staffing numbers during 2018-19. The Council would always look to manage any reduction in staffing numbers through its vacancy management and redeployment processes. 2017-18 showed a significant risk in respect of the level of redundancies required in Secondary and Primary Schools, exceeding the £500k budget for this purpose by £1m. With the exception of the £500k for Schools in 2018-19, there is currently no funding set aside for redundancies, so several options are currently being considered. The first consideration is using a capitalisation directive to capitalise the redundancies resulting from the Council's transformation projects designed to reduce future revenue costs and/or transform service delivery, and utilising capital receipts to fund them. The capital receipts generated by the Council are limited and if they are used for this purpose, they cannot be used to fund the Council's capital programme which will in turn result in additional prudential borrowing and higher capital finance charges (revenue). An

option to generate additional capital receipts is to use the HRA to purchase land for housebuilding from the Council Fund. The second consideration is using the Service Reconfiguration Reserve to fund redundancies but this would mean that it could no longer be used to fund the Council's Transformation Programme, and this would have an adverse effect on bridging the funding gap over the term of the MTFP.

- **Capital Financing Costs** - Capital projects such as 21st Century Schools (Band B) and the Swansea Bay City Region Deal will result in significant levels of prudential borrowing with an annual revenue pressure of circa. £1.5m for each year of the MTFP. Consideration will have to be given as to whether this is affordable, with the serious and continuous pressure on the revenue budget.
- **Council Tax Reduction Scheme (CTRS)** - The CTRS was introduced by Welsh Government in 2013-14 to provide financial assistance to eligible residents to pay their Council Tax. Welsh Government funding of £244m across Wales is maintained each year but does not increase. For 2018-19, the Council will receive funding of £7.077m (2017-18 £6.984m) which does not cover the estimated expenditure of £8.7m and any consequential increase in Council Tax benefit payments, as a result of increased claimant caseload or higher Council Tax levels will have to be absorbed by the Council.
- **Local Authority Pension Scheme** - The employer contribution for the Council is set by the Dyfed Pension Fund Actuary every three years. The Fund Actuary advises of future service cost contributions and any deficit payments for previous financial years. A pension liability of £137.1m was recorded at 31 March 2018 (compared to £155.5m at 31 March 2017). The share of the pension liability relating to Pembrokeshire County Council, was £136.8m at 31 March 2018, 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.
The employers' contribution rate is a percentage of pensionable pay and for 2017-18 it was 15.8%. For 2018-19 this will increase to 16.9% and it is then expected to remain at 17.0% from 2019-20 to 2020-21. These increases have been built into the budget for 2018-19 and the MTFP. It can be difficult to estimate the cost of employer contributions for the four year period of the MTFP as returns on asset investments and the funding level of Fund at the latter end are unknown.
- **Teachers' Pension Scheme** - The Teachers' Pension Scheme is a central government controlled Public Service Pension Scheme that, unlike the Local Government Pension Scheme, is unfunded. The contributions are set by Central Government. The employer's contributions for Teachers' pensions were not increased for 2018-19, but have been estimated to increase by 0.1% to 16.5% from 2019-20.
- **Apprenticeship Levy** - In the November 2015 Comprehensive Spending Review the Apprenticeship Levy was introduced requiring all UK employers with a total pay bill above £3m per annum to pay a levy of 0.5% of their total pay bill. The levy came into effect from April 2017 adding an additional unfunded pressure of £0.5m with no benefits as Welsh Government do not currently fund apprenticeships. This pressure is continued in 2018-19 and the MTFP.

1.5.5 Opportunities

- **Council Tax 2nd Homes Premium** - During 2017-18, a 2nd Homes Council Tax Premium of 50% was introduced and this generated an additional £1.74m in Council tax Income. 50% will be used to provide affordable housing with the remainder being used to fund a recently created grant scheme of £950k that communities can tap into from 2018-19 to help address the problems that having a high percentage of second homes in communities can have.
- **Long Term Empty Properties Premium** – On 19 October 2017, Council resolved to introduce a premium for Long Term Empty Properties from 2018-19.
- **Capital Fund for Regeneration** - In order to address long term challenges for the local economy, a £20m capital fund for regeneration has been created. Whilst in the approved capital programme, it will be subject to the same affordability criteria as all other capital projects.
- **Swansea Bay City Region Deal** - The Council is a partner in the Swansea Bay City Region Deal, “The Internet Coast”. The City Deal bid is designed to address the underperformance in the regional economy. If successful, the bid could involve the Council in additional prudential borrowing over the 15 year programme, with capital being repaid by Welsh Government and the Council being responsible for the interest. The Leader of the Council has made it clear that he would expect bodies who will benefit from the projects to be responsible for funding the interest, and not the Council.
- **21st Century Schools Programme (Band A)** - The Council is part way through an ambitious 21st Century Schools capital investment programme (Band A) which seeks to deliver transformational change, enabling pupils in Pembrokeshire to have the very best learning facilities. An investment of £149.9m was provisionally agreed with Welsh Government over the period 2013-14 to 2018-19 for the Band A programme, however, this has now been reduced to £121.6m to reflect a capital programme that is considered deliverable within the time frame. Even at the reduced level, this capital programme is the most significant the Council has ever undertaken. Welsh Government has committed to fund £60.8m (50%) of the approved expenditure, initially by way of capital grant and currently via the Local Government Borrowing Initiative (LGBI) through the AEF, whereby the Council will finance capital expenditure with borrowing, supported by Welsh Government, in substitution of capital grant.
- **21st Century Schools Programme (Band B)** - On 20 July 2017 Council approved the Band B Strategic Outline Programme submission to Welsh Government to commence in 2019-20. This programme is an additional investment of £106.4m across three key projects which continues the long term strategic investment in our education infrastructure. Pembrokeshire County Council submission was approved in principle on 7 December 2017 with a grant intervention rate set at 50% for this second wave of investment. This will now be subject to approval of individual project business cases.
- **Housing Revenue Account (HRA)** - The Housing Revenue Account (HRA) Business Plan incorporates the financial strategy and planning for the Council’s housing stock for the next 30 years. The Business Plan 2018-48 was submitted by the end of March 2018, in order for the Council to obtain the circa. £4.0m Major Repairs Allowance (MRA) grant for 2018-19. The phased harmonisation of rent levels between local authorities and social landlords (target rents) is on-going and the de-pooling of costs from rents (service charges) has been implemented, with the exception of grounds maintenance. This, along with the exit from the HRA subsidy system in April 2015 has provided the Council with additional resources to enable it to maintain the Welsh Housing Quality Standard (WHQS), continue to invest in and improve its housing service provision and from 2018-19 start to build additional Council houses.

1.6 STRATEGY AND RESOURCE ALLOCATION

1.6.1 Standard Spending Assessment (SSA) – 2017-18

Pembrokeshire has the largest shortfall between its actual spending and what Welsh Government predicts it needs to spend to deliver services, its SSA. When allocating the Aggregate External Finance (AEF), Welsh Government assume that Council Tax is collected at the same level for every Authority. The Welsh average Band D Council Tax for 2017-18 was £1,162, £279 more than Pembrokeshire at £883. Pembrokeshire would need to increase its Council Tax by over 31% to reach the average rate. The variance between the SSA and the combination of AEF and Council Tax ranged from Pembrokeshire with £14.80m less than SSA to Rhondda Cynon Taf with £16.42m more than SSA, with Newport being closest to Pembrokeshire at £8.25m less than SSA.

1.6.2 Funding Gap 2014-15 to 2017-18

A funding gap of £52.2m for the period 2014-15 to 2017-18 was bridged by a combination of £42.6m of cost reductions/efficiencies/service transformations, £9.0m in additional income from Council Tax increase (including base changes) and a £0.6m contribution from the Council Tax 2nd homes income (community element). Due to challenges in achieving the cost reductions/efficiencies/ service transformations during 2017-18, the contribution from the Council Tax 2nd homes income (community element) was increased to £0.87m.

1.6.3 Council Tax – 2017-18

Due to Pembrokeshire having the lowest Band D Council Tax in Wales since 1996, it was £15m worse off in 2017-18 than it would have been if its Council Tax was at the average level for Wales.

1.6.4 Corporate and Financial Planning Timetable 2018-19

The Wales Audit Office Financial Resilience Assessment Report for the Council, issued in May 2016, recommended that it “strengthen the links between financial planning and corporate planning”. It was understood that this recommendation was made primarily due to the Council’s financial planning process being completed prior to its corporate planning process, resulting in the risk of the budget not being fully aligned to the corporate improvement objectives. In order to address this issue, a Corporate and Financial Planning Timetable was introduced for 2017-18 in order to align the corporate and financial planning processes and this was approved by Cabinet on 4 July 2016.

The Corporate and Financial Planning Timetable for 2018-19 was drafted with input from Corporate Planning and Finance & Business Services, with the key changes being:

- Identification of the Corporate Plan Well-being Objectives for 2018-19 prior to commencement of the detailed budget planning process for 2018-19
- Early consultation and engagement in September/October 2017
- Additional challenge from Overview & Scrutiny Committees
- Early reporting to Full Council in December 2017 (normally March).

The Financial Planning Timetable for 2019-20 was approved by Cabinet on 21 May 2018. The Corporate Planning Timetable for 2019-20 will be aligned to the Financial Planning Timetable to ensure the Corporate Plan (including Wellbeing Objectives) is approved prior to the 2019-20 budget.

1.7 PERFORMANCE (FINANCIAL AND CORPORATE)

1.7.1 Revenue Outturn 2017-18

The revenue outturn financial position confirms the Council's net expenditure for 2017-18 at **£204.8m**, having taken into account appropriations to and from reserves, and is broadly in line with the original budget. The P8 projected outturn position was recovered due to additional end of year grant funding from Welsh Government and a successful moratorium on non-essential expenditure.

	Original 2017-18 £m	P8 Projected Outturn 2017-18 £m	Outturn 2017-18 £m
Gross Expenditure	334.0	337.7	338.8
Income	(129.2)	(134.7)	(140.9)
Contribution to / (from) Reserves	-	2.5	6.9
Net Expenditure	204.8	205.5	204.8
Second Home Contribution to / (from) Reserves	1.4	1.9	1.7
Total Net Expenditure	206.2	207.4	206.5

Late notification of grant funding by Welsh Government/Public Agencies required substitution of expenditure, with additional funding capacity being rolled forward to 2018-19 to comply with grant conditions, to maximise resources and ensure they remain earmarked for their specific purpose. This had the effect of reducing core revenue budget costs during 2017-18.

The Directorate revenue budgets has been given a RAG rating in terms of their 2017-18 year-end outturn position:

RAG Rating:	Achievement:
Red	Budget overspent when compared to projected outturn
Amber	Budget achieved when compared to projected outturn
Green	Budget underspent when compared to projected outturn

The table below shows the outturn position compared to the Period 8 projected outturn position at a Directorate level. The outturn position is shown after appropriations to/from Reserves at the year end.

Revenue Account	2016-17 Actual Outturn £000	2017-18						RAG Rating
		Estimate		Actual				
		P8 Rolling Budget £000	P8 Projected Outturn £000	Gross Expend £000	Income £000	Cont'n to/(from) Reserve £000	Net Expend £000	
Education Services	87,176	85,710	86,898	107,054	(20,556)	1,019	87,517	
Social Care - Children's Services	13,165	12,891	12,808	17,389	(4,718)	26	12,697	
Social Care - Adult Services	45,700	47,853	47,774	71,070	(23,416)	240	47,894	
General Fund Housing	826	1,057	1,103	37,145	(36,137)	19	1,027	
Council Housing	-	-	-	17,678	(23,112)	5,434	-	
Highways & Transportation Services	7,946	8,138	8,087	20,565	(13,751)	899	7,713	
Culture & Related Services	6,706	6,573	6,834	11,343	(4,923)	212	6,632	
Planning Services	2,058	1,791	1,904	5,438	(3,683)	18	1,773	
Environmental Services	11,178	11,414	11,538	17,920	(7,952)	1,065	11,033	
Other Central, Corporate & Democratic Services	5,498	6,197	5,618	8,478	(2,105)	(771)	5,602	
Council Tax Reduction Scheme	7,317	7,390	7,745	7,682	-	-	7,682	
Court Services	224	270	270	329	(25)	-	304	
Transformation	-	83	3	698	(3)	(695)	-	
Second Home Council Tax (Community)	-	(600)	(950)	-	-	(871)	(871)	
Affordable Housing Scheme*	-	678	950	-	-	871	871	
Contributions to Community*	-	677	950	-	-	871	871	
Net Cost of Services	187,794	190,122	191,532	322,789	(140,381)	8,337	190,745	
Levies	7,021	7,222	7,222				7,222	
Net Investment Income / Capital Financing Costs	8,007	8,818	8,726				8,537	
Total	202,822	206,162	207,480				206,504	
Financed By:								
Revenue Support Grant and Special Grant	(119,578)	(116,466)	(116,466)	-	(116,466)	-	(116,466)	
NNDR	(37,316)	(40,310)	(40,310)	-	(40,310)	-	(40,310)	
Council Tax	(45,928)	(48,031)	(48,031)	-	(47,986)	-	(47,986)	
Second Homes Premium Council Tax*	-	(1,355)	(1,900)	-	(1,742)	-	(1,742)	
	(202,822)	(206,162)	(206,707)	-	(206,504)	-	(206,504)	

* Second Homes Council Tax shown separately in the Management Accounts but consolidated in the Statement of Accounts tables.

All service specific issues and commentary are shown in the County Council Budget Outturn Monitoring Report as reported to Cabinet 21 May 2018.

1.7.2 Cost Reductions/Efficiencies/Service Transformation 2017-18

Cost reductions/efficiencies/service transformations of £10.8m (£7.4m + £2.8m council tax increase + £0.6m second homes council tax community contribution) were agreed by Council on 10 March 2017 as part of the approval of the revenue budget for 2017-18. An additional £1.014m (net) of non-achieved cost reductions/efficiencies/service transformations from 2016-17 were added to give a revised figure of £11.8m.

Each of the cost reductions/efficiencies/service transformations has been given a RAG rating of their achievement:

RAG Rating:	Achievement:
Red	<50% Achieved
Amber	>50% <90% Achieved
Green	>90% Achieved

The table below shows the agreed cost reductions/efficiencies/service transformations at a Directorate level along with details of achievement and the RAG rating at the end of 2017-18.

Directorate Cost Reduction/Efficiency/ Service Transformation:	Planned £000's	Achieved £000's	Variance £000's
Education Services	2,175	1,580	595
Social Care – Children	364	364	0
Social Care – Adults	3,139	1,622	1,517
Housing General Fund	156	101	55
Highways & Transportation Services	650	646	4
Culture & Related Services	383	159	224
Planning & Development Services	285	139	146
Environmental Services	514	293	221
Other Central, Corporate & Democratic Services	640	491	149
Transformation *	100	0	-
Sub Total Cost Reductions/Efficiencies/ Service Transformation 2017-18	8,406	5,395	2,911
Council Tax Additional Income	2,781	2,781	
Second Homes Council Tax	600	871	
Total 2017-18	11,787	9,047	

On the whole good progress was made during the year in meeting the cost reduction/efficiency/service transformation targets with 64% being achieved. The £2.911m cost reductions/efficiencies/service transformations not achieved in 2017-18 will be rolled forward to 2018-19.

*This excludes the £0.1m for Transformation which is assumed to have been met from savings within individual Directorates/Services.

1.7.3 Council Housing (Housing Revenue Account)

The final outturn position for 2017-18 is shown in the table below.

Housing Revenue Account	2016-17	2017-18		
	Actual	Original	P8 Projected	Actual
	Outturn	Estimate	Outturn	Outturn
	£000	£000	£000	£000
Income				
Rents - Dwellings	(20,564)	(21,300)	(21,551)	(21,571)
Other	(1,410)	(1,398)	(1,405)	(1,541)
Total Income	(21,974)	(22,698)	(22,956)	(23,112)
Expenditure				
Management & Maintenance	11,563	12,373	12,369	11,815
Appropriations to Capital				
Reserves	4,281	3,959	4,221	5,158
Capital Financing Costs	5,882	5,916	5,916	5,593
Other	248	450	450	546
Total Cost	21,974	22,698	22,956	23,112

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

Rents were increased by 2.5% (CPI 1.0% plus 1.5%) plus £1.00 per week for 2017-18, subject to the rent levels being below target rent.

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, rent policy and various other planning criteria (the number of Council house sales, acquisitions and various other 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 for current tenants at the end of 2017-18 were £0.64m, £0.01m lower than at the end of 2016-17, which demonstrates collection rates have improved. The anticipated effects of Welfare Benefit reform have not been seen due to delays in the introduction of Universal Credit in Pembrokeshire. However it is anticipated that when Universal Credit is fully implemented, along with continued increases in rent levels during the transition to WG target rent levels, tenants' ability to pay will be affected in the long term, and this is something which is being monitored closely.

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 grounds maintenance charges being excluded from the process in Pembrokeshire following in depth analysis of the cost/benefit analysis of doing so. Assumptions on expected service charge income streams are included within the BP submitted for MRA purposes.

1.7.4 Capital Outturn 2017-18

The Council's actual capital expenditure for 2017-18 was £74.725m against a projected outturn of £78.855m, as shown in the table below. Each element of the capital programme, at both a Directorate and individual project level, has been given a RAG rating based on detailed criteria not replicated in this narrative report.

	2017-18		RAG	2018-19
	Latest Approved Programme £000	Actual Expenditure £000		Original Estimate £000
Expenditure				
Education (including 21st Century Schools Programme)	51,264	50,648	Amber	24,264
Social Care	435	403	Amber	50
Highways & Transportation	7,220	6,615	Amber	7,196
Housing - H.R.A.	9,267	8,760	Amber	13,391
Housing – General Fund	2,376	2,071	Amber	1,494
Culture & Related Services	2,737	2,405	Amber	3,535
Planning & Development	2,870	1,769	Red	7,417
City Deal	-	-	Amber	1,000
Environmental	1,376	1,221	Amber	8,378
Corporate	1,310	833	Amber	4,222
Total Expenditure	78,855	74,725		70,947
Financing				
Capital Grants & Contributions	24,234	26,923		29,103
Capital Receipts & Capital Fund	14,533	10,715		11,201
Earmarked Reserves	3,412	1,013		5,912
Borrowing	36,676	36,074		24,731
Total Financing	78,855	74,725		70,947

The original capital investment programme for 2018-19 and indicative programme for 2019-20 was approved by Council on 8 March 2018 in the sums of £71m and £90.9m respectively. All capital projects will be reviewed to assess their current costs and progress and the approved programme will be amended to reflect the following changes:

- Where projects in 2017-18 have not been completed by 31 March 2018, the resource may be rolled over to 2018-19;
- The approval and amendment of capital grant assumptions made during the budget cycle;
- The re-phasing and re-profiling of expenditure on certain projects;
- The deletion of projects no longer required; and
- The inclusion of new projects of a high priority.

1.7.5 Revenue Collections 2017-18

Final cash collection figures to 31 March 2018 along with comparative figures for 2016-17 are shown below. Each of the revenue cash collections have been given a RAG rating of performance:

RAG Rating:	Performance:
Red	Worse than expected
Amber	As expected
Green	Better than expected

1.7.6 Council Tax

Cash collected to 31 March 2018 was £55.73m against a collectable debit of £56.70m. This represents an in year collection rate of 98.29%, which was higher than the 2016-17 collection rate of 97.88%. It is anticipated that the collection rate will remain one of the best in Wales for the sixth successive year.

1.7.7 2nd Homes Council Tax

2017-18 was the first year of the 2nd Home Council Tax Premium. At the start of the year, it was anticipated that £1.36m would be collected and this was revised to £1.9m during the year. Cash collected to 31 March 2018 was £1.74m.

1.7.8 Business Rates (NNDR)

Cash collected to 31 March 2018 was £50.63m against a collectable debit of £51.24m. This represents an in year collection rate of 98.81% which was slightly higher than the 2016-17 collection rate of 98.66%.

March	2017-18				2016-17
	Amount Due £m	Amount Collected £m	%	RAG Rating	%
Council Tax	56.70	55.73	98.29	Green	97.88
NNDR	51.24	50.63	98.81	Green	98.66

1.7.9 Housing Rents

Current tenant rent arrears to 31 March 2018 were £642,389, compared to £652,346 at 31 March 2017.

Rent Arrears	2017-18 £	RAG Rating	2016-17 £
March	642,389	Green	652,346

All cases with arrears are monitored on a weekly basis and are subject to recovery proceedings appropriate to the level of arrears. This will continue. Additional measures have been taken to secure an initial direct payment for new Universal Credit cases. This will have accounted, in part for a stabilising of the trend in incremental increases reported previously.

1.7.10 Useable (Earmarked) Reserves 2017-18

A summary of the Council's useable reserves as at 31 March 2018 is shown in the table below:

EARMARKED RESERVES	Opening Balance 31 March 2017 £000	Net In Year Movement £000	Balance 31 March 2018 £000
Working Balance - General Fund	(7,000)	-	(7,000)
Working Balance - HRA	(752)	-	(752)
Earmarked Reserves	(43,473)	3,648	(39,825)
Schools ISB Balances	(1,288)	(494)	(1,782)
Other School Related (including PFI)	(3,438)	122	(3,316)
Capital Receipts, Grants and Contributions Reserve	(2,055)	(2,832)	(4,887)
TOTAL USABLE RESERVES	(58,006)	444	(57,562)

As a result of additional Welsh Government grant funding during the final quarter of the 2017-18 financial year, and where grant conditions allowed for substitution of expenditure in 2017-18, additional resources are being carried forward to 2018-19 in earmarked reserves. The following additional resources will be transferred from reserves, to honour the grant conditions of providing additional funding in 2018-19, to the relevant service revenue account during the first quarter of the 2018-19 financial year. This will not affect the net expenditure.

- £127,000 - Local Transport Strategy Grant (LTSG)
- £300,000 - Highways maintenance funding to reflect the value of work not undertaken last year as a result of the additional Highways Agency work done which reduced available capacity.

The Strategy for Holding and utilising reserves was agreed by council on 10 March 2016 and can be found on our website via the following [link](#).

1.7.11 Treasury Management Indicators 2017-18

The Council’s Treasury Management Strategy and Investment Strategy for 2017-18 were approved by Council on 2 March 2017. Treasury Management Indicators should always have a RAG rating of Green – “compliance with agreed limits and indicators”. During 2017-18, there was full compliance and all RAG ratings were Green, no exceptions.

Borrowing transactions were within approved limits and all investments met the credit worthiness criteria at the date of deposit during the year ended 31 March 2018.

- External borrowing reduced from £202.15m to £200.63m
- Average investment portfolio was £59m with Investment Income of £0.32m
- The total amount of investments held at the 31 March 2018 was £34.65m

The table below shows the Capital Financing Requirement compared to External Debt.

	Projected Balance 31/03/2018 £m	Actual 31/03/2018 £m
Capital Financing Requirement		
General Fund	158.7	158.1
HRA	77.3	77.2
Total Capital Financing Requirement	236.0	235.3
External Debt		
Gross Borrowing	200.6	200.6
Other Long Term Liabilities	6.9	6.7
Total Gross External Debt	207.5	207.3

HRA MRP will move to 2% reducing balance from 2018-19 in line with the General Fund.

1.7.12 National and Local Performance Data 2017-18

National and local performance measures are monitored by Corporate Management Team, Cabinet and the Corporate Overview & Scrutiny Committee on a quarterly or annual basis, with corrective action taken to address areas of poor performance. These make up a “suite” of performance measures which are monitored to ensure performance is maintained, any issues are identified and corrective action taken. Each performance measure has been given a RAG rating of current performance:

RAG Rating:	Performance:
Red	Worse than expected (Lower quartile)
Amber	As expected (Middle quartile)
Green	Target met or exceeded (Top quartile)

The end of year Performance is summarised in the table below:

Well-being Goal	Total Measures	Measures per RAG Rating	RAG Rating
A prosperous Wales	4 (Quarterly) 38 (Yearly)	14 14 11 3	Green Amber Red NA
A resilient Wales	5 (Q) 0 (Y)	0 2 0 3	Green Amber Red NA
A healthier Wales	13 (Q) 15 (Y)	3 1 2 22	Green Amber Red NA
A more equal Wales	3 (Q) 1 (Y)	3 1 0 0	Green Amber Red NA
A Wales of cohesive communities	4 (Q) 6 (Y)	3 3 4 0	Green Amber Red NA
A Wales of vibrant culture and thriving Welsh language	0 (Q) 6 (Y)	3 1 1 1	Green Amber Red NA
A globally responsible Wales	0 (Q) 2 (Y)	1 1 0 0	Green Amber Red NA
Total	97	27 23 18 29	Green Amber Red NA

As reported to Cabinet on 21 May 2017 as part of the Outturn report [Appendix G](#).

1.8 OUTLOOK

1.8.1 Projected Funding Gap 2018-19

The forward planning assumptions in the Medium Term Financial Plan (MTFP) 2017-18 to 2020-21, approved by Council on 10 March 2017, were overtaken by a significant increase in workforce, pay, inflation, contractual, demographic and legislative pressures, and new responsibilities. This was partially offset by a better than anticipated AEF for 2018-19, an increase of 0.3% (0.460m) when adjusted for transfers into the settlement and Council Tax base changes, resulting in a projected funding gap of £16.4m for 2018-19.

1.8.2 Projected Funding Gap 2018-19 to 2021-22

The MTFP 2018-19 to 2021-22, approved by Council on 8 March 2018, details a projected funding gap of £56.6m based on reductions in AEF of 2.0% for 2019-20 followed by reductions of 2.5% per

annum (worst case scenario), a projected funding gap of £52.7m based on reductions in AEF of 1.5% per annum (most likely scenario) and a projected funding gap of £48.7m based on reductions in AEF of 1.0% for 2019-20 followed by reductions of 0.5% per annum (best case scenario).

As the significant contractual, demographic and legislative pressures in Adult Social Care are anticipated to continue throughout the four year MTFP 2018-19 to 2021-22, available funding for all other Council services will diminish. If this continues over the long term, there would come a point where the Council could only afford to fund Social Care and Schools (Education).

1.8.3 Projected Funding Gap 2018-19 to 2021-22 (Most Likely Scenario)

Pressures	17-18 £m	18-19 £m	19-20 £m	20-21 £m	21-22 £m	Total £m
Movement in Aggregate External Finance (AEF)*	0.1	(5.0)	2.4	2.4	2.4	2.2
Transfers into the AEF	0.1	4.0	0.0	0.0	0.0	4.0
Workforce and Pay	3.1	4.1	2.0	1.1	1.7	8.9
Inflation	5.6	2.7	1.2	1.2	0.5	5.6
Contracts		2.3	2.3	1.8	2.1	8.5
Demographics		2.7	1.6	1.5	1.3	7.1
Other		(0.4)	0.3	0.6	0.0	0.5
Cost Reduction Slippage from previous year	0.0	1.3	0.0	0.0	0.0	1.3
Individual Schools Budget (ISB)	1.4	3.0	1.9	1.6	1.1	7.6
Capital Financing Costs	0.4	1.5	1.7	1.5	1.5	6.2
Mid and West Wales Fire and Rescue Services	0.0	0.2	0.2	0.2	0.2	0.8
Projected Funding Gap	10.7	16.4	13.6	11.9	10.8	52.7

*-1.5% for 2019-20 to 2021-22

1.8.4 Council Tax – 2018-19

The only way in which the Council can move towards the average level of Council Tax and endeavour to sustain and protect local services is to increase it by more than 5% per annum. Council Tax increases of approximately 10% for each year of the MTFP would be required to reach the average level and this assumes that other Councils don't do the same. The Council Tax increase of 12.5% for 2018-19, approved by Council on 8 March 2018, will generate an additional £5.7m and was a positive step in providing the additional income needed to sustain and protect local services and move the Council towards the average level for Wales. The 12.5% increase in Council Tax for 2018-19 still means that Pembrokeshire has the lowest Council Tax in Wales.

1.8.5 Council Tax – 2019-20 to 2021-22

The MTFP 2018-19 to 2021-22 assumes a Council Tax increase of 10% for 2019-20, 7.5% for 2020-21 and 5.0% for 2021-22, albeit the actual Council Tax increase is an annual decision of Council.

1.8.6 Standard Spending Assessment (SSA) for 2018-19

The Welsh Government final SSA 2018-19 for Pembrokeshire was £226.403m. The 12.5% increase in Council Tax resulted in the Council having a net expenditure budget of £215.539m for 2018-19, £10.864m less than SSA, albeit an improvement on the £14.80m less than SSA for 2017-18.

1.8.7 Cost Reductions/Efficiencies/Service Transformations 2018-19

The Council will aim to bridge some of the projected £16.4m funding gap for 2018-19 and the projected £52.7m funding gap for the MTFP 2018-19 to 2021-22 by requiring each Director and Head of Service to deliver a 5% saving on their controllable net expenditure budget per annum and delivery of its Transformation Programme. The immediate challenge is to ensure that robust plans for delivery of the proposed cost reductions/efficiencies/service transformations for 2018-19 are in place.

Of the £10.0m of planned cost reductions/efficiencies/services transformations identified for 2018-19, over £4.0m (40%) are RAG rated red meaning their deliverability or achievability will be challenging, with £2.8m RAG rated amber and £3.2m RAG rated green. For the purposes of the MTFP, and in the interests of prudence, it has been assumed that 25% of the planned cost reductions/efficiencies/service transformations will not be achieved during 2019-20 to 2021-22.

1.8.8 Bridging the Funding Gap 2018-19 to 2021-22

The following table shows how the projected funding gap 2018-19 to 2021-22 will be bridged and assumes:

- An increase in Council Tax of 12.5% for 2018-19, 10.0% for 2019-20, 7.5% for 2020-21 and 5% for 2021-22
- Only 75% of the planned cost reductions/efficiencies/service transformations will be achieved during 2019-20 to 2021-22.

Meeting the Financial Challenge	MTFP 2018-19 to 2020-21					
	17-18 £m	18-19 £m	19-20 £m	20-21 £m	21-22 £m	Total £m
Projected Funding Gap	10.7	16.4	13.6	11.9	10.8	52.7
Council Tax (Assuming no increase in Council Tax base)	2.7	5.7	5.4	4.4	3.2	18.7
One-Off Contribution from 2nd Homes Council Tax (Community)*	0.6	-	-	-	-	0.0
Cost Reduction/Efficiency/Service Transformation Programme Identified Assumption – 100% Achievable 2018-19 and 75% Achievable 2019-20 to 2021-22	7.4	10.0	8.6	8.4	8.2	35.2
		10.0	6.5	6.3	6.2	29.0
One-Off Contribution from Reserve	-	0.7	-	-	-	0.7
Total	10.7	16.4	11.9	10.7	9.4	48.4
(Surplus)/Shortfall	-	-	1.7	1.2	1.4	4.3

*Increased to £0.9m during 2017-18

Based on the assumptions made for the projected funding gap, Council Tax increases and achievement of Cost Reductions/Efficiencies/Service Transformations over the term of the MTFP, there is a £4.3m shortfall currently identified. There are however a number of risks/opportunities which could change this figure, as outlined in the MTFP.

1.8.9 Use of Earmarked Reserves

The use of earmarked reserves is governed by the Strategy for Holding and Utilising Reserves, approved by Council on 10 March 2016. Whilst £0.7m from reserves will be earmarked to bridge the funding gap for 2018-19, this is a one-off and it is not anticipated that any earmarked reserves will be used to bridge the projected funding gap over the MTFP.

1.8.10 Council Fund Working Balance

The Council Fund Working Balance of £7.0m, maintained to cushion the impact of emergencies, offsetting the impact of uneven cash flow and as a general contingency, is set at a prudent level which and it is not recommended that it be used to bridge the funding gap.

1.9 BASIS OF PREPARATION AND PRESENTATION

Any matters which may affect the Council's ability to deliver its Corporate Plans (including Well-being objectives) over the short, medium and long term have been identified in the body of this Narrative Report.

1.10 POST BALANCE SHEET EVENTS

Any events taking place between 30 May 2018 and 26 July 2018, 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 26 July 2018 there was only one such event.

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

**Jonathan Haswell FCCA
Director of Finance**

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

Report on the audit of the financial statements:

Opinion

I have audited the financial statements of Pembrokeshire County Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Pembrokeshire County Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018.

Basis for opinion

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

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements 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.

Report on other requirements:

Opinion on other matters

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

the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018;

The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or

I have not received all the information and explanations I require for my audit.

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.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out in section 3.1, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



Anthony J Barrett
For and on behalf of the Auditor General for Wales

30 July 2018

24 Cathedral Road
Cardiff
CF11 9LJ

3.0 STATEMENT OF ACCOUNTS

3.1 STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of 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 2018 is contained within Sections 4-14, and is produced in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended). The Regulations prescribe the contents of the Statement of Accounts and it is upon the contents only that the Audit opinion is expressed.

I certify the accounts present a true and fair view of the financial position of Pembrokeshire County Council as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018 and append my signature to the Statement in accordance with Regulation 10(1).



J HASWELL FCCA
Director of Finance

Date: 26 July 2018

REPORTING AND APPROVAL

These accounts, initially published on 30 May 2018, were reported to Full Council for approval following the conclusion of the Annual Audit on 26 July 2018. The audit certificate is shown in section 2.0.

Aden A. Brinn

Chairman of Council

Date: 26 July 2018

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. There are three key changes to accounting standards that will impact on the Authority over the next three years.

- IFRS9 Financial Instruments, effective 2018-19, will replace IAS39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS39. The expected credit loss implications for those financial assets not treated as Fair Value are expected to be minimal for the majority of the treasury investments as the Council adopts strict credit quality arrangements in accordance with the CIPFA Treasury Management Code of Practice. In addition to the day today treasury investments, the Council also has an outstanding loan agreement with one third party for the value of £269k. The Council undertook due diligence on the credit quality of the third party prior to the loan award and there is no indication of credit impairment or default at the time these accounts were finalised.
- IFRS 15 revenue from contracts with customers, effective 2018-19, introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
- IFRS 16 leases, effective 2019-20, will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

The Statement of Accounts set out within Sections 4-14 have been prepared in compliance with the 2017-18 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, 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 also submitted a Band B strategic outline schools programme of £106.4m on 31 July 2017 and this was approved in principle on 7 December 2017. The potential requirement to find additional match funding of £53.2m from April 2019 would be a further issue.
- 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, and requires full Council ratification.
- The Annual Council meeting on 25 May 2017 resulted in the appointment of a new Leader and Cabinet. The Cabinet have now issued a Programme for the Administration which will influence the future MTFP and budget setting strategies for the Authority.
- £532k of joint venture receipts held by Pembrokeshire County Council, previously earmarked for the development of South Quay, is the subject of ongoing discussions with Welsh Government regarding future development of the site and may need to be repaid.
- A £20m capital fund for regeneration has been created. Whilst in the approved capital programme, it will be subject to the same affordability criteria as all other capital projects.
- Welsh Government have announced that the Cleddau Bridge tolls will cease from 2019-20, but they have yet to confirm the mechanism for compensating the Council and keeping the bridge operating.

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

Issues appertaining to items in the current set of accounts:		
Item	Risk	Potential Affect
Contractual Obligations	Incorrect quantification and legal challenge	Additional charge to taxpayer at future date
Provisions	Quantification incorrect	Additional charge to taxpayer at future date
21 st Century Schools (Band A)	Incorrect cost assumptions Interest rate increases above LGBI rates	Increased contractual costs Increased debt charge resulting in additional charge to taxpayer

Issues appertaining to items in the current set of accounts continued:

Item	Risk	Potential Affect
Non-Current Assets	Useful Life	Incorrect depreciation charge
Pension Liability	Actuarial assumptions incorrect	Increased Employer contributions at future date / additional charge to taxpayer at future date
Housing Rent restructure	Business plan assumptions incorrect	Additional charge to tenants at future date
Welfare Reform Act	Assumptions incorrect	Increased service costs
Demographic changes	Assumptions incorrect	Increased service & contractual costs
Grant Funding	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

Issues potentially impacting the accounts in the future:

Item	Risk	Potential Affect
Wellbeing of Future Generations Act	Act not considered in decision making	Cost of corrective action
Swansea Bay City Region	Additional pressure in MTFP	Budget requirement / overspend
Schools Reorganisation / 21 st Century Schools (Band B)	Unable to provide service within existing budgets Incorrect cost assumptions	Budget overspend Increased contractual costs
Grant Funding / BREXIT	Loss of grant from Welsh Government & Europe	Reduction in service provision

7.0 CORE FINANCIAL STATEMENTS – COMPONENTS AND DETAIL

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

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

Supporting Notes and Supplementary Financial Statements

These comprise of:

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

Group Accounts

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

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

Further details on the Councils joint arrangements are set out within notes 10.8.4.4.

7.1 EXPENDITURE AND FUNDING ANALYSIS

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

2016-17				2017-18		
Net Expenditure in Revenue Outturn	Adjustments between the Funding and Accounting Basis (Note 9.1)	Net Expenditure in the CIES		Net Expenditure in Revenue Outturn	Adjustments between the Funding and Accounting Basis (Note 9.1)	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
87,176	6,811	93,987	Education Services	87,517	7,392	94,909
13,165	430	13,595	Childrens Services	12,697	1,150	13,847
45,700	1,689	47,389	Adult Services	47,894	1,729	49,623
826	304	1,130	Housing Services	1,027	737	1,764
-	(521)	(521)	Council Housing	-	1,289	1,289
7,946	8,417	16,363	Highways & Transport Services	7,713	5,237	12,950
6,706	4,352	11,058	Culture & Related Services	6,632	2,663	9,295
2,058	4,275	6,333	Planning Services	1,773	4,169	5,942
11,178	1,442	12,620	Environmental Services	11,033	1,308	12,341
5,498	2,765	8,263	Other Central, Corporate & Democratic Services	5,602	2,774	8,376
7,317	-	7,317	Council Tax Reduction Scheme	7,682	-	7,682
224	3	227	Court Services	304	8	312
-	243	243	Transformation	-	783	783
-	-	-	Second Home Council Tax (Community)	(871)	871	-
-	-	-	Affordable Housing Scheme*	871	(871)	-
-	-	-	Contributions to Community*	871	(871)	-
187,794	30,210	218,004	Net Cost of Services (inc HRA) / Deficit on Continuing Operations	190,745	28,368	219,113
7,021	11,995	19,016	Other Operating Expenditure	7,222	13,097	20,319
8,007	6,102	14,109	Financing & Investment Income & expenditure	8,537	5,954	14,491
(202,822)	(33,844)	(236,666)	Taxation and non-specific grant income	(206,504)	(38,133)	(244,637)
-	14,463	14,463	Surplus or Deficit	-	9,286	9,286
		(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)		

* Second Homes Council Tax shown separately in the Management Accounts but consolidated in the Statement of Accounts tables.

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

7.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

7.2.1 Surplus/Deficit on Continuing Operations

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

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

- receipts under £10k arising from the sale of assets. A sum of £18k 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 £40k 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.

7.2.5 Exceptional Items

There were no exceptional items of income or expenditure in 2017-18.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Note	2016-17			2017-18		
		Gross Total Cost £000	Income £000	Net Total Cost/ Expend £000	Gross Total Cost £000	Income £000	Net Total Cost/ Expend £000
Education Services		117,246	(23,259)	93,987	118,326	(23,417)	94,909
Social Care - Childrens Services		17,982	(4,387)	13,595	18,565	(4,718)	13,847
Social Care - Adult Services		68,564	(21,175)	47,389	73,129	(23,506)	49,623
Housing Services		38,604	(37,474)	1,130	38,911	(37,147)	1,764
Council Housing		21,380	(21,901)	(521)	24,400	(23,111)	1,289
Highways & Transport Services		27,941	(11,578)	16,363	26,921	(13,971)	12,950
Cultural & Related Services		15,971	(4,913)	11,058	14,220	(4,925)	9,295
Planning Services		10,603	(4,270)	6,333	10,273	(4,331)	5,942
Environmental Services		20,366	(7,746)	12,620	20,795	(8,454)	12,341
Other Central, Corporate & Democratic Services*		10,734	(2,471)	8,263	11,499	(3,123)	8,376
Council Tax Reduction Scheme*		7,317	-	7,317	7,682	-	7,682
Court Services		251	(24)	227	337	(25)	312
Transformation*		243	-	243	786	(3)	783
(Surplus)/Deficit on Continuing Operations		357,202	(139,198)	218,004	365,844	(146,731)	219,113
Other Operating Expenditure							
Precepts & Levies	10.2			19,411			20,909
Gains & Losses on Disposal of Non-Current Assets				(395)			(590)
Financing & Investment Income and Expenditure							
Interest Payable				11,140			11,101
Interest & Investment Income				(632)			(313)
Net Pensions Interest	10.5.1			3,601			3,703
Taxation & Non-Specific Grant Income							
Revenue Support Grant (inc Special Grant)	10.1.1			(119,578)			(116,466)
NNDR Pool Share				(37,316)			(40,310)
Local Taxpayers	10.1.3			(58,318)			(61,172)
Second Home Premium	10.1.3			-			(2,243)
General Capital Grants & Contributions	10.1.5			(21,454)			(24,446)
(Surplus) or Deficit on Provision of Services				14,463			9,286
Other Comprehensive Income & Expenditure							
(Surplus)/Deficit on revaluation of non-current assets	12.13.3			(2,277)			(2,989)
Remeasurements of Pensions Liabilities & Assets	12.13.7			40,855			(34,340)
Total Other Comprehensive Income & Expenditure				38,578			(37,329)
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				53,041			(28,043)

* restated to match Revenue Outturn report format

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 2017-2018	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 2017	(7,000)	(39,952)	(752)	(8,247)	(2,055)	(58,006)	(317,339)	(375,345)
In Year Opening Balance Adjustments*	-	-	-	-	-	-	(2)	(2)
Restated Balance	(7,000)	(39,952)	(752)	(8,247)	(2,055)	(58,006)	(317,341)	(375,347)
(Surplus) / Deficit On Provision of Services	7,795	-	1,491	-	-	9,286	-	9,286
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(37,329)	(37,329)
Total Comprehensive Income & Expenditure (see 7.2.4)	7,795	-	1,491	-	-	9,286	(37,329)	(28,043)
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see 11.1)	(3,821)	-	(2,286)	-	(2,832)	(8,939)	8,939	-
Net (Increase) & Decrease Before Transfers (To) / From Reserves	3,974	-	(795)	-	(2,832)	347	(28,390)	(28,043)
Transfers (To)/ From Reserves	(3,974)	3,823	795	(547)	-	97	(97)	-
(Increase) / Decrease In Year	-	3,823	-	(547)	(2,832)	444	(28,487)	(28,043)
Balance 31 March 2018 (see 11.2.1 & 11.2.2)	(7,000)	(36,129)	(752)	(8,794)	(4,887)	(57,562)	(345,828)	(403,390)

* See note 12.13.2 CAA for explanation of restatement

Actuals 2016-17	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 Adjustments *	-	-	-	-	-	-	(498)	(498)
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)

* See note 12.13.2 CAA for explanation of restatement

7.4 BALANCE SHEET

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

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

BALANCE SHEET AS AT 31 MARCH	Note	2016-17		2017-18	
		£000	£000	£000	£000
NON-CURRENT ASSETS:					
Property, Plant & Equipment	12				
Council Housing Property		202,127		199,110	
Other Land & Buildings		310,236		313,439	
Infrastructure		115,185		117,567	
Vehicles/Plant/Equipment		8,735		8,010	
Heritage Assets	12.1.1.6	606		535	
Community Assets		1,341		991	
Assets Under Construction	12.1.1.3	31,634		71,042	
Surplus Assets		7,154		6,837	
Fixed Assets			677,018		717,531
Intangible Assets	12.1.3		153		96
Long Term Debtors	12.6.1		2,182		3,126
TOTAL LONG TERM ASSETS			679,353		720,753
CURRENT ASSETS:					
Short Term Investments	12.5	68,979		32,772	
Inventories & Works in Progress	12.4	1,225		1,152	
Short-term Debtors and Prepayments	12.6.1	23,421		32,241	
Cash & Cash Equivalents	12.7	3,527		4,057	
Assets Held For Sale	12.8	-		103	
Total Current Assets			97,152		70,325
TOTAL ASSETS			776,505		791,078
CURRENT LIABILITIES:					
Other Short-term Borrowing	12.6.2	(2,760)		(4,126)	
Short-term Creditors	12.6.2	(22,994)		(28,497)	
Revenue Grants Receipts in Advance	12.6.2	(729)		(770)	
Capital Grants Receipts in Advance	12.6.2	(8,442)		(7,753)	
Provisions	12.9.1	(952)		(1,440)	
Total Current Liabilities			(35,877)		(42,586)
TOTAL ASSETS LESS CURRENT LIABILITIES			740,628		748,492
Long Term Borrowing	12.10.1	(201,333)		(199,664)	
Deferred Liabilities	12.11	(8,552)		(8,641)	
Net Pension Fund Liability	12.13.7	(155,398)		(136,797)	
TOTAL LONG TERM LIABILITIES			(365,283)		(345,102)
NET ASSETS			375,345		403,390
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		(50,254)		(49,810)
Unusable Reserves	12.13		(317,339)		(345,828)
TOTAL RESERVES			(375,345)		(403,390)

7.5 CASH FLOW STATEMENT

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

The amount of net cash flows arising from net operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Investing activities represent the extent to which cash flows have arisen from resources which are intended to contribute to the Council's future service delivery.

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

The notes to the Cash Flow are detailed below:

Movement In Cash Balances	As At 31 March		Movement In Year £000
	2017 £000	2018 £000	
Cash At Bank/(Overdrawn)	-	-	-
Cash Equivalent	762	1,918	1,156
Cash At Bank / In Hand	2,765	2,139	(626)
	3,527	4,057	530

The cash flows for operating activities include the following items:	2016-17 £000	2017-18 £000
Interest Paid	11,123	9,887
Interest Received	(796)	(414)

CASH FLOW STATEMENT	2016-17		2017-18	
	£000	£000	£000	£000
Reconciliation of Comprehensive Income and Expenditure Statement to Net Revenue Cash Flow				
Net (Surplus)/Deficit on the provision of services		14,463		9,286
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation	(21,156)		(19,211)	
Impairment & downward valuations	(14,523)		(11,987)	
Movement in market value of investment properties	-		-	
Pension fund adjustments	(8,591)		(15,739)	
Other non cash financial instrument adjustments	(40)		(32)	
Contributions to provisions	264		(488)	
Carrying amount of non-current assets sold	(2,570)		(2,672)	
Other non cash movement	(1)		-	
Movements in revenue debtors, creditors, stocks etc.	7,533	(39,084)	2,510	(47,619)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Proceeds from sale of property, plant and equipment, investment property and intangible assets	3,062		3,336	
Capital Grants	21,454		24,446	
Premium paid on redemption of debt	-	24,516	-	27,782
Net Cash Flow from Operating Activities		(105)		(10,551)
INVESTING ACTIVITIES				
Purchase of property, plant & equipment, investment property & intangible assets	52,016		69,547	
Purchase of short term & long term investments	305,403		394,115	
Other payments for investing activities	-		-	
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(3,062)		(3,336)	
Proceeds from short term & long term investments	(322,816)		(430,236)	
Capital grants received	(26,749)		(21,834)	
Other capital cash receipts	-		-	
Net Cash Flow From Investing Activities		4,792		8,256
FINANCING ACTIVITIES				
Cash receipts of short-term & long-term borrowing	(5,400)		(3,000)	
Other receipts from financing activities	-		-	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	261		256	
Repayments of short-term & long-term borrowing	1,512		4,509	
Other payments for financing activities				
Net cash flow from financing activities		(3,627)		1,765
NET (INCREASE)/DECREASE IN CASH & CASH EQUIVALENTS		1,060		(530)
Cash & cash equivalents at the beginning of reporting period	4,587		3,527	
Cash & cash equivalents at the end of reporting period	3,527		4,057	
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		(1,060)		530

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 2017-18 Code of Practice on Local Authority Accounting.

8.1 GENERAL PRINCIPLES

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

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

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

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

8.2 INCOME AND EXPENDITURE ACCRUALS

8.2.1 Employee Costs

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

8.2.2 Supplies and Services Etc.

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

8.2.3 Support Services

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

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

8.2.4 Precepts and Levies

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

8.2.5 Income

All income due to the Council shall be accounted for at the due date and recognised at fair value. Council Tax Income shall be brought into account on the basis of entries in the Valuation List. The Authority's share of National Non-Domestic Rates (NNDR) Pool reported in the Comprehensive Income and Expenditure Statement is that notified by the Welsh Government. The amount of NNDR collected on behalf of the Welsh Government shall not form part of the Council's income and associated debtors and creditors on the Balance Sheet. All associated entries are consolidated into an NNDR pool account.

8.2.6 Interest Payable

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

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

8.2.7 Interest Receivable

The following principles shall apply to interest receivable:

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

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

8.2.8 General Debtors

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

Where revenue has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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.
- 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

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 2017-2018	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Total Statutory Adjustments	Other Non- Statutory Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Education Services	5,477	3,741	(812)	8,406	(1,014)	7,392
Social Care - Children's Services	167	1,094	(84)	1,177	(27)	1,150
Social Care - Adult Services	446	1,522	-	1,968	(239)	1,729
Housing Services	556	200	-	756	(19)	737
Council Housing	11,705	600	(5,583)	6,722	(5,433)	1,289
Highways & Transport Services	4,581	1,741	(186)	6,136	(899)	5,237
Cultural & Related Services	2,040	850	(14)	2,876	(213)	2,663
Planning Services	3,542	644	-	4,186	(17)	4,169
Environmental Services	1,474	900	-	2,374	(1,066)	1,308
Other Central, Corporate & Democratic Services	1,213	758	142	2,113	661	2,774
Council Tax Reduction Scheme	-	-	-	-	-	-
Court Services	-	8	-	8	-	8
Invest to Save / Transformation	-	88	-	88	695	783
Second Home Council Tax (Community)	-	-	-	-	871	871
Affordable Housing Scheme*	-	-	-	-	(871)	(871)
Contributions to Community*	-	-	-	-	(871)	(871)
Net Cost of Services (inc HRA) / Deficit on Continuing Operations	31,201	12,146	(6,537)	36,810	(8,442)	28,368
Other Operating Expenditure	(590)	-	-	(590)	13,687	13,097
Financing & Investment Income & expenditure	(3)	3,703	2,403	6,103	(149)	5,954
Taxation and non-specific grant income and expenditure*	(24,446)	-	-	(24,446)	(13,687)	(38,133)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	6,162	15,849	(4,134)	17,877	(8,591)	9,286

* Second Homes Council Tax shown separately in the Management Accounts but consolidated in the Statement of Accounts tables.

Actual Expenditure 2016-2017	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Total Statutory Adjustments	Other Non-Statutory Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Education Services	4,997	1,846	(833)	6,010	801	6,811
Social Care - Children's Services	46	490	(85)	451	(21)	430
Social Care - Adult Services	947	626	(2)	1,571	118	1,689
Housing Services	209	90	-	299	5	304
Council Housing	9,612	244	(5,872)	3,984	(4,505)	(521)
Highways & Transport Services	8,840	393	(188)	9,045	(628)	8,417
Cultural & Related Services	4,102	378	(16)	4,464	(112)	4,352
Planning Services	3,800	283	-	4,083	192	4,275
Environmental Services	1,851	438	-	2,289	(847)	1,442
Other Central, Corporate & Democratic Services	1,309	507	97	1,913	852	2,765
Council Tax Reduction Scheme	-	-	-	-	-	-
Court Services	-	3	-	3	-	3
Transformation	-	5	-	5	238	243
Second Home Council Tax (Community)	-	-	-	-	-	-
Net Cost of Services (inc HRA) / Deficit on Continuing Operations	35,713	5,303	(6,899)	34,117	(3,907)	30,210
Other Operating Expenditure	(395)	-	-	(395)	12,390	11,995
Financing & Investment Income & expenditure	2	3,601	2,672	6,275	(173)	6,102
Taxation and non-specific grant income	(21,454)	-	-	(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	(4,227)	18,543	(4,080)	14,463

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 Statutory Adjustments

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

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and 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.

9.1.4 Other Non-Statutory Differences

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

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

9.2 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

In particular:

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

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

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

9.3

EXPENDITURE AND INCOME ANALYSED BY NATURE

Expenditure / Income	2016-17 £'000	2017-18 £'000
Expenditure		
Employee Costs	150,319	156,199
Other Operating Costs	171,204	178,447
Support Services	-	-
Depreciation, amortisation & impairment	35,679	31,198
Interest Paid	14,741	14,804
Precepts & Levies	19,411	20,909
Gain or loss on disposal of assets	(395)	(590)
Total Expenditure	390,959	400,967
Income		
Rents, fees & charges etc	(54,134)	(56,927)
Interest & investment income	(632)	(313)
Income from council tax	(58,318)	(63,415)
Government grants and contributions	(263,412)	(271,026)
Total Income	(376,496)	(391,681)
Surplus or Deficit on the Provision of Services	14,463	9,286

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 2017-18 was set by the Welsh Government at 49.9p in £1 with an average rateable value of £129,170,064 compared to 48.6p with an average rateable value of £127,925,536 in 2016-17. The Council made a net contribution to the NNDR pool of £8.051m in 2017-18 and £12.791m 2016-17.

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	2016-17	2017-18
Pembrokeshire County Council	£841.10	£883.15
Dyfed Powys Police Authority	£200.07	£213.87
Average Town and Community Council	£31.40	£30.88
Tax Base Number of Band D Equivalent		
Chargeable	54,859.75	56,884.37
Aggregate Collectable*	53,798.38	55,919.65

* Aggregate collectable figure made up of Budget Setting tax base 54,385.78 plus Second Homes 1,533.87.

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 Chargeable Properties	3,518	6,383	10,899	10,153	13,857	8,005	3,254	601	209

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

Council Tax Income	2016-17 £000	2017-18 £000
Council Tax Due In Year	(57,936)	(61,038)
Council Tax Due in Year - Second Home Premium	-	(2,243)
Less Non- collection allowance	(382)	(134)
Amount Due From Taxpayers Before Rebates	(58,318)	(63,415)
Allocated to:		
Dyfed Powys Police Precept	(10,763)	(11,960)
Pembrokeshire County Council	(45,928)	(49,728)
Town and Community Councils Precepts	(1,627)	(1,727)
Total	(58,318)	(63,415)

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.

	2016-17 £000	2017-18 £000
Credited to Services*		
DWP Subsidy Payments and Other DWP Grants	(33,877)	(33,773)
Post 16 Provision Grant	(4,946)	(4,184)
Pupil Deprivation Grant	(2,817)	(2,975)
Flying Start & Families First Grant	(3,890)	(3,908)
Education Improvement Grant	(5,215)	(5,128)
Supporting People Grant	(2,720)	(2,720)
Environmental & Sustainable Development Grant	(2,822)	(2,716)
Trunk Road Agency*	(3,218)	(5,006)
European Community grants for Local Services	(666)	(1,234)
Other Grants or Contributions credited to Services	(24,893)	(28,160)
Total Revenue Grants & Contributions Credited to Services	(85,064)	(89,804)
*Figures restated to separate Trunk Road Agency from Other Grants or Contributions credited to Services		

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

	2016-17 £000	2017-18 £000
Grants & Contributions Received*	(85,793)	(90,574)
Grants Held In Advance Where Conditions Not Fulfilled	729	770
Grants & Contributions Credited As Income in Year	(85,064)	(89,804)
*Excludes grants received re Revenue Expenditure Funded from Capital Under Statute (see Note 10.4)		

10.1.5 Capital Grants & Contributions

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

	2016-17 £000	2017-18 £000
Credited to Taxation and Non Specific Grant Income		
General Capital Grant	(1,221)	(827)
21st Century Schools	(11,525)	(10,432)
Convergence	(123)	(97)
Major Repairs Allowance	(3,980)	(3,986)
Welsh Government - Transport (Local Transport Fund, Safe Routes in Communities, Local Road Safety, Bulford Road, & Southern Strategic Route)	(1,830)	(4,730)
Welsh Government - Flood & Coastal Erosion Risk Management	(683)	(384)
Other Grants	(1,767)	(3,698)
Developers Contributions	(325)	(292)
	(21,454)	(24,446)
Applied to Finance Capital Expenditure	(21,454)	(24,446)
Transferred to Capital Grant Unapplied Reserve	-	-
	(21,454)	(24,446)

10.2 PRECEPTS AND LEVIES

	2016-17 £000	2017-18 £000
Precepts		
Dyfed Powys Police	10,763	11,960
Town and Community Councils	1,627	1,727
Levies		
West Wales Fire and Rescue	6,036	6,237
Pembrokeshire Coast National Park	985	985
Totals	19,411	20,909

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 where material. 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	2016-17	2017-18		
	Net Expenditure	Turnover	Expenditure	Net Expenditure
	£000	£000	£000	£000
Highways Roads & Transport				
Cleddau Bridge *	(1,376)	(3,227)	1,919	(1,308)
Car Parks (excl CPE)**	(194)	(1,395)	1,360	(35)
Civil Parking Enforcement	(53)	(465)	404	(61)
Culture, Environment & Planning				
West Wales Crematorium	(244)	(971)	663	(308)
Markets	234	(64)	334	270
Industrial Estates ***	(182)	(899)	911	12
Training****	376	(862)	870	8
Building Regulation Chargeable*****	(14)	(325)	409	84

*The Cleddau Bridge, including Westfield Pill Bridge, is owned by the Council and is regulated by the Dyfed Act 1987 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 for 2017-18 are the fixed asset (£19.7m), two external loans (£1.9m), an earmarked reserve (£1.6m) and a trading surplus (£1.9m), 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 Dyfed Act, the budgeted annual trading surpluses are not transferred to the Cleddau Bridge 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 Cleddau Bridge earmarked reserve.

Whilst not a statutory requirement under the Dyfed Act for the Cleddau Bridge 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 Cleddau Bridge tolls was undertaken by Council in May 2016 and incorporated the full lifecycle costs and agreed financial position of the bridge. Welsh Government have announced that the Cleddau Bridge tolls will cease from 2019-20 but they have yet to confirm the mechanism for compensating the Council and keeping the bridge operating.

** Increase in expenditure and movement in reserves in Car Parks

*** A revaluation movement in 2017-18 resulted in a revaluation loss in Industrial Estates

**** The Training revaluation loss in 2016-17 accounts in part for movement to 2017-18. In addition an increase in income and reduced employee costs

***** Building Regulation chargeable has seen an increase in employee related costs

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.

	2016-17 £000	2017-18 £000
Expenditure in Year	1,645	2,477
Grant & Contributions Received in Year	(1,606)	(2,477)
Net Revenue Expenditure Funded from Capital Under Statute	39	-

10.5 PENSION COSTS

The Authority participates in two pension schemes:

10.5.1 The Dyfed Superannuation Scheme,

Administered by Carmarthenshire County Council, it is a funded defined benefit scheme to which employees, members 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 2017-18 was calculated by the Fund's actuary based on the valuation as at 31 March 2016 for all employees of the County Council who are members of the scheme.

The Fund was valued as at 31 March 2016 & the results of this valuation are reflected in the 2017-18 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	2016-17		2017-18	
	£000	£000	£000	£000
Interest on Pension Liabilities	19,575		17,231	
Interest on Plan assets	(15,974)		(13,528)	
		3,601		3,703
Administration Expenses		398		405
Past Service (Gain) / Cost *		162		37
Curtailment (Gain) / Loss		89		355
Settlement (Gain) / Loss		-		-
Current Service Cost		15,364		23,143
		19,614		27,643
Statement of Movement on the Council Fund Balance Entries				
Reversal IAS 19 Entries Above:		(19,614)		(27,643)
Actual Charges Paid In Year				
Actual Amount Charged For Period	10,211		11,110	
Cost of Enhancements Charged In Year	812		794	
		11,023		11,904
		(8,591)		(15,739)
Employees Contributions		5.5%-12.5%		5.5%-12.5%
Employers Contributions		15.5%		15.8%
* 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 2016-17	Funded Liabilities 2017-18	Unfunded Liabilities 2017-18	Total Liabilities 2017-18
	£000	£000	£000	£000
Liability as at 1 April	552,886	688,409	14,217	702,626
Movements in the year:				
Current Service Cost	15,364	23,143	-	23,143
Interest on Pension Liabilities	19,575	16,885	346	17,231
Member Contributions	4,130	4,231	-	4,231
Past Service (Gain) / Cost	162	37	-	37
Remeasurements (liabilities) <i>comprising of :</i>				
Experience (gain) / loss	(5,214)	-	-	-
(Gain) / Loss on financial assumptions	141,252	(27,882)	(309)	(28,191)
(Gain) / Loss on demographic assumptions	(7,786)	-	-	-
Curtailments	89	355	-	355
Settlements	-	-	-	-
Benefits / transfers paid	(17,832)	(17,921)	(794)	(18,715)
Liability at 31 March	702,626	687,257	13,460	700,717

Reconciliation of Fair Value of the Scheme Assets

	2016-17	2017-18
	£000	£000
Fair Value of Plan Assets as at 1 April	446,934	547,228
Movements in the year:		
Interest on Plan assets	15,974	13,528
Remeasurements (assets)	87,397	6,149
Administration Expenses	(398)	(405)
Settlements	-	-
Employer Contributions	11,023	11,904
Member Contributions	4,130	4,231
Benefits / transfers paid	(17,832)	(18,715)
Fair Value of Plan Assets as at 31 March	547,228	563,920

Pension Fund Assets split by category

	31 March 2017	31 March 2018
	£000	£000
Equities	385,796	398,127
Government	53,081	55,265
Other Bonds	53,081	54,136
Property	50,893	53,008
Cash/Liquidity	3,283	1,692
Net Current Assets	1,094	1,692
Total	547,228	563,920

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	2.3	2.1
Rate of increase in salaries	3.8	3.6
Rate of increase in pensions	2.3	2.2
Discount Rate	2.5	2.6
Life Expectancy (Years)		
Male future pensioner aged 65 in 20 years' time	25.0	25.1
Female future pensioner aged 65 in 20 years' time	27.8	27.9
Male current pensioner aged 65	22.8	22.9
Female current pensioner aged 65	25.5	25.6

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 December 2017. The corresponding split of assets at the start of the year has been calculated as at 31 March 2017.
- 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 £1,552k 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 2.7%.
- 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 £12,177k per the Mercer report.

Effect Over Time of Actual To Assumed Performance

Scheme History	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000
Present Value of Liabilities	(465,868)	(561,577)	(552,886)	(702,626)	(700,717)
Fair Value of Assets	397,957	452,163	446,934	547,228	563,920
Surplus / (Deficit) in the scheme	(67,911)	(109,414)	(105,952)	(155,398)	(136,797)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The overall impact is a reduction in the deficit over the year. See section 1.5.4 for more details. The total liability of £136.8m 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 Teacher's Pension Scheme

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

Comprehensive Income & Expenditure Statement Entries	2016-17 £000	2017-18 £000
Included in Net Operating Expenditure		
Total contributions charged to the accounts	6,339	6,128
Cost of discretionary awards made in year*	80	28
Employees contribution rate	7.4% - 11.7%	7.4% - 11.7%
Employers contribution rate	16.4%	16.4%
* Restated for 16-17 to only include discretionary awards specific to Teachers Pensions		

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. The total contribution rate for employer pension contributions was 15.5% for 2016-17 and 15.8% for 2017-18.

Senior Officers		Gross Salary, Fees & Other Emoluments	Employer Pension Contributions to Local Government Pension Scheme	Benefits in kind
		£	£	£
Chief Executive/Returning Officer*	2016-17	160,674	22,421	9,068
	2017-18	169,783	20,887	9,615
Chief Finance Officer Director of Finance (from Oct 2016)	2016-17	125,249**	17,864	2,711
	2017-18	109,155	18,128	4,249
Director of Development	2016-17	115,608	17,868	10,275
	2017-18	116,770	18,337	11,009
Director for Children & Schools	2016-17	108,074	16,751	7,950
	2017-18	111,798	17,609	9,269
Director of Social Services ***	2016-17	83,039	12,859	4,165
	2017-18	108,884	17,123	8,231

* Includes Election related fees £29,373 for 2016-17; £37,167 for 2017-18

** Includes £25k honorarium approved by the Senior Staff Committee for period June 2014 to October 2016 for carrying out the duties of a Director

***The Director of Social Services & Leisure left post in August 2016 and was replaced in December 2016

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

Other Employees Remuneration Band	Number Of Employees	
	2016-17	2017-18
£60,000 - £64,999	16	15
£65,000 - £69,999	9	15
£70,000 - £74,999	4	4
£75,000 - £79,999	5	9
£80,000 - £84,999	4	2
£85,000 - £89,999	5	1
£90,000 - £94,999	8	5
£95,000 - £99,999	-	2
£100,000 - £104,999*	1	-

*Banding includes termination benefits for secondary school senior staff member reported in note 10.6.3

The remuneration of the Council's Chief Executive / Head of Paid Service during 2017-18 was £132,615. The median remuneration of all the Council's employees during 2017-18 was £18,489. 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 2017-18 was approximately 7.2 : 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.

10.6.2 Members Allowances

The total allowances including taxable benefits paid to Members in the year totalled £1,094,476 compared with £1,106,173 in 2016-17.

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)	2016-17				2017-18			
	No's			£000	No's			£000
	Compulsory	Other	Total		Compulsory	Other	Total	
£0 - £20,000	26	43	69	551	19	78	97	742
£20,001 - £40,000	8	13	21	545	2	19	21	600
£40,001 - £60,000	-	5	5	244	-	10	10	490
£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	35	61	96	1,414	21	107	128	1,832

Pension Costs - Capital Settlement (Current Year)	2016-17		2017-18	
	No's	£000	No's	£000
£0 - £20,000	20	114	22	130
£20,001 - £40,000	6	188	9	245
£40,001 - £60,000	-	-	1	40
Total	26	302	32	415
Pension Costs - Annual Contribution (Prior Year)	2016-17 £000		2017-18 £000	
Annual Contribution	943		927	
Total	943		927	

10.7 AUDIT FEES

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

	2016-17* £000	2017-18 £000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	170	175
Fees payable to the Auditor General for Wales in respect of statutory inspections and the LG Measure	117	116
Fee payable for the certification of grant claims and returns	25	28
Total	312	319
* The 2016-17 fees were based on estimates in the previous year and have been restated to reflect the actual fees incurred. The figures for the 2017-18 fees are estimated.		

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 2017-18 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 2017-18, where material these are detailed in the table below:

Member	Body	Relationship	2017-18 Expenditure £000
Alison Tudor	Hywel Dda	Employee	2,042
Barry Childs	WJEC	Chair of Examiners	763
Cris Tomos	Pembrokeshire College	Board Member	80
David Simpson	Pembrokeshire Housing	Board Member	211
David Simpson	Ateb (formally Pembrokeshire Housing)	Board Member	20
David Simpson	ERW	Joint Committee Memb	34
Guy Woodham	Torch Theatre Company Limited	Employee	135
Neil Prior	Northgate Public Services	Employee	287
Pat Davies	Fishguard and Goodwick Young Persons Trust Ltd	Director	35
Paul White	Catholic Diocese of Menevia	Director of Education	24
Rhys Sinnett	Torch Theatre Company Limited	Director	135
Rhys Sinnett	Hywel Dda	Employee	2,042
Rhys Sinnett	Pembrokeshire Care Society	Director	335
Thomas Tudor	Hywel Dda	Employee	2,042

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 2018 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	
	2016-17 £000	2017-18 £000
Balance B/fwd	-	-
Contributions:		
PCC	315	316
Hywel Dda	359	383
Expenditure in Year	674	699
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 8.23, where material, the main financial statements of the Council have been consolidated with the relevant entries.

Education through Regional Working (ERW)

ERW is an alliance of 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	2016-17				2017-18			
	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	68,141	226	9,472	31	70,142	433	9,609	59
Income	(68,141)	(271)	(9,472)	(38)	(70,142)	(254)	(9,609)	(34)
Net Expenditure	-	(45)	-	(7)	-	179	-	25
Net Pensions Interest	-	18	-	3	-	37	-	5
Movement on Reserves	-	27	-	4	-	(216)	-	(30)
Net (Surplus) / Deficit	-	-	-	-	-	-	-	-
Balance Sheet as at 31 March	2016-17				2017-18			
	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	10,153	-	1,411	-	10,193	5	1,396	1
Current Liabilities	(9,341)	(270)	(1,299)	(37)	(9,705)	(11)	(1,330)	(1)
Total Assets Less Liabilities	812	(270)	112	(37)	488	(6)	66	-
Long Term Liabilities	-	(136)	-	(19)	-	(292)	-	(40)
Total Long Term Liabilities	-	(136)	-	(19)	-	(292)	-	(40)
Net Assets	812	(406)	112	(56)	488	(298)	66	(40)
Reserves	-	(406)	-	(56)	-	(190)	-	(26)
Total Financing	-	(406)	-	(56)	-	(190)	-	(26)

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

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

10.8.4.5 Controlled or Influenced Entities

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

11.0 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

11.1 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND REGULATORY FUNDING BASIS

Actuals 2017-2018	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	(15,256)	(3,955)	-	(19,211)	19,211
Impairment / Revaluation	(4,239)	(7,748)	-	(11,987)	11,987
Capital Grants Treated As Income	20,460	3,986	-	24,446	(24,446)
Revenue Expenditure Funded From Capital Under Statute	-	-	-	-	-
Disposal of Non-Current Assets	517	(12)	(3,377)	(2,872)	2,872
Use of Capital Receipts, Grants & Contributions to finance Capital Expenditure	-	-	15	15	(15)
Use of Capital Receipts set aside as reserved receipts	-	-	530	530	(530)
Transfer from Deferred Capital Receipts on receipt of cash	-	-	-	-	-
Capital Grants & Contributions Unapplied	-	-	-	-	-
Financing Cost Adjustment (EIR adjustment)	(32)	-	-	(32)	32
Pension Cost Adjustment	(26,308)	(1,335)	-	(27,643)	27,643
Employee Benefits – Leave Accrual	(110)	-	-	(110)	110
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	1,587	-	3,973	(3,973)
Statutory Repayment of Debt (Finance Lease Liabilities)	15	-	-	15	(15)
Statutory Repayment of Debt (PFI)	241	-	-	241	(241)
Capital Expenditure Charged To Council Fund (inc PFI Lifecycle)	7,073	4,640	-	11,713	(11,713)
Amortisation of net premium/discounts in relation to financial instruments	79	-	-	79	(79)
Employers contributions to pension schemes	11,353	551	-	11,904	(11,904)
Net Adjustment Required	(3,821)	(2,286)	(2,832)	(8,939)	8,939

Actuals 2016-2017	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	(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
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
HRA Subsidy Exit Settlement	-	-	-	-	-
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)

11.2 USABLE RESERVES

11.2.1 General Fund, HRA, Earmarked and Education Specific Reserves

	Balance 1 April 2017	Contrib'n (from) Revenue Accounts	Contib'n to Revenue Accounts	Financing Adj & Tfr to Provision	Contrib'n to Capital Accounts	Balance 31 March 2018
	£000	£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	(3,584)	(1,070)	86	-	1,577	(2,991)
HRA Capital Fund	(8,247)	(5,187)	-	-	4,640	(8,794)
21st Century Schools	(5,334)	(100)	850	-	4,484	(100)
	(17,165)	(6,357)	936	-	10,701	(11,885)
Other Earmarked Reserves						
Insurance	(5,330)	(434)	-	871	-	(4,893)
Winter Maintenance	(227)	-	-	-	-	(227)
Risk Management	(5,557)	(434)	-	871	-	(5,120)
Property & Equipment	(1,096)	(694)	72	-	285	(1,433)
Carriageway Reconstruction	(554)	(300)	184	-	127	(543)
Vehicles & Plant	(4,676)	(1,527)	-	-	99	(6,104)
Cleddau Bridge	(1,474)	(278)	83	-	34	(1,635)
West Wales Crematorium	(384)	(138)	-	-	16	(506)
Asset Renewal & Repair	(8,184)	(2,937)	339	-	561	(10,221)
Elections	(304)	-	261	-	-	(43)
Social Care Reorganisation	(1,295)	(72)	-	-	-	(1,367)
Education Reorganisation	(688)	(115)	124	-	-	(679)
Equalisation	(2,287)	(187)	385	-	-	(2,089)
Invest to Save	(4,080)	(260)	45	-	296	(3,999)
Service Reconfiguration	(3,884)	(233)	695	-	-	(3,422)
Transformation	(7,964)	(493)	740	-	296	(7,421)
Planning	(199)	(11)	-	-	-	(210)
County Farms Compensation	(79)	(15)	36	-	-	(58)
Regeneration Fund	(585)	-	-	-	5	(580)
Economic Development & Tourism	(218)	-	52	-	-	(166)
Environmental Services	(145)	(4)	-	-	-	(149)
Recycling	(775)	(200)	-	-	-	(975)
Service Delivery	(2,001)	(230)	88	-	5	(2,138)
Joint Arrangements	(114)	-	34	-	-	(80)
Local Authority Mortgage Scheme	(201)	(8)	209	-	-	-
Affordable Housing	-	(871)	-	-	-	(871)
Contribution to Community	-	(871)	871	-	-	-
External	(315)	(1,750)	1,114	-	-	(951)
SUBTOTAL	(26,308)	(6,031)	2,666	871	862	(27,940)
Total Earmarked Reserves	(43,473)	(12,388)	3,602	871	11,563	(39,825)
Schools ISB Balances	(1,288)	(974)	480	-	-	(1,782)
School Catering SLA	(196)	-	-	-	-	(196)
Schools Maintenance SLA	(50)	-	50	-	-	-
Schools Supply Insurance	(373)	(119)	-	-	-	(492)
PFI ICT	(16)	(47)	44	-	-	(19)
PFI RSG Equalisation	(2,803)	(10)	204	-	-	(2,609)
Total Education Reserves	(4,726)	(1,150)	778	-	-	(5,098)
TOTAL SCHOOLS & RELATED RESERVES	(48,199)	(13,538)	4,380	871	11,563	(44,923)

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 2017	Rec'd In Year	Set Aside Prov'n	In Year Transfers	Applied to Revenue	Applied To Finance Expend	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Capital Receipts Reserve							
General Fund	(2,055)	(2,847)	-	-	-	15	(4,887)
21st Century Schools	-	-	-	-	-	-	-
HRA	-	(530)	530	-	-	-	-
TOTAL	(2,055)	(3,377)	530	-	-	15	(4,887)

12.0 NOTES TO THE BALANCE SHEET

12.1 NON-CURRENT ASSETS

12.1.1 Fixed Assets

The Council's fixed asset portfolio was valued at £718m as at 31 March 2018 compared to £677m as at 31 March 2017.

Fixed assets acquisitions in the year were made for consideration of £3.4m. This figure is included in the total additions value of £71.5m with the remaining value relating to construction costs or work relating to existing assets.

Asset disposals realised £2.8m in respect of non-council housing and £0.5m in respect of council house sales. At 31 March 2018, surplus assets awaiting disposal have an estimated value of £6.8m, of which £2.0m is estimated as being likely to be sold within the next 12 months.

No Impairments were charged in the year to represent dilapidation of buildings and demolition of 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	Com'ty Assets £000	Heritage Assets £000	Assets Under Const'n £000	Surplus Assets £000	Total £000
Carried at Historical Cost	66,512	30,937	157,541	21,354	945	-	63,605	-	340,894
Valued at Fair Value as at:									
31 March 2018	469	40,916	-	65	-	24	-	6,761	48,235
31 March 2017	333	60,581	-	-	8	-	-	-	60,922
31 March 2016	198,449	199,939	-	-	45	606	6,632	-	405,671
31 March 2015	-	3,024	3	-	12	-	3,164	75	6,278
31 March 2014	552	(443)	-	-	-	-	-	-	109
Total Cost or Valuation	266,315	334,954	157,544	21,419	1,010	630	73,401	6,836	862,109

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					
	2016-17			2017-18		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
Property Plant & Equipment						
Council Dwellings	60	202,067	202,127	220	198,890	199,110
Land & Buildings	309,631	605	310,236	312,827	612	313,439
Infrastructure	115,185	-	115,185	117,567	-	117,567
Vehicles Plant & Equipment	8,186	549	8,735	7,551	459	8,010
Heritage Assets	606	-	606	535	-	535
Community Assets	1,290	51	1,341	991	-	991
Assets Under Construction *	31,634	-	31,634	71,042	-	71,042
Surplus Assets	7,154	-	7,154	6,837	-	6,837
	473,746	203,272	677,018	517,570	199,961	717,531
Intangibles	153	-	153	96	-	96
Assets Held for Sale	-	-	-	103	-	103
Total	473,899	203,272	677,171	517,769	199,961	717,730

* Assets Under Construction include the new Haverfordwest Library and the 21st Century Schools Programme including Pembroke Learning Campus, Haverfordwest Welsh Medium, Ysgol Bro Gwaun & Ysgol Dewi Sant.

**12.1.1.4 Movement in Non-Current Asset Values Property, Plant & Equipment Details
2017-18**

Owned Assets	Council House Assets	Other Land & Bldings	Infra-structure	Vehicle, Plant & Equip	Com'ty Assets	Heritage assets	Assets Under Const'n	Surplus Assets	Total Property Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 31 March 2017	258,116	324,548	151,860	22,066	1,370	606	32,415	7,158	798,139
Additions	8,755	10,269	5,686	2,074	-	91	44,554	-	71,429
De-recognition / disposals	-	(102)	-	(2,786)	(10)	-	-	-	(2,898)
De-recognition – other (component)	-	-	-	-	-	-	-	-	-
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount	(77)	(4,008)	-	-	-	-	-	(937)	(5,022)
Revaluations increases / (decreases) recognised in the Revaluation Reserve	164	5,032	-	65	(157)	(40)	-	1,004	6,068
Revaluations increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(329)	(2,604)	(105)	-	(94)	(27)	-	313	(2,846)
Reclassifications – PPE & Investment	276	2,918	103	-	(99)	-	(3,568)	370	-
Reclassifications – (to) / from Held for Sale	(590)	(1,099)	-	-	-	-	-	(1,072)	(2,761)
At 31 March 2018	266,315	334,954	157,544	21,419	1,010	630	73,401	6,836	862,109
Depreciation & Impairments									
Depreciation	(4,371)	(7,820)	(34,000)	(11,656)	-	-	(18)	-	(57,865)
Impairment	(51,618)	(6,492)	(2,675)	(1,675)	(29)	-	(763)	(4)	(63,256)
At 31 March 2017	(55,989)	(14,312)	(36,675)	(13,331)	(29)	-	(781)	(4)	(121,121)
Depreciation Charge for 2017-18	(3,847)	(8,369)	(3,191)	(2,814)	-	(4)	-	(926)	(19,151)
Impairment Losses & Non-Enhancing Expenditure to Revaluation Reserve	-	(1,405)	-	-	-	(86)	(1,588)	-	(3,079)
Impairment Losses & Non-Enhancing Expenditure to Surplus/Deficit on the Provision of Services	(7,418)	(1,567)	(110)	(35)	-	(5)	-	-	(9,135)
Derecognition / Disposals:									
~ W/O Accumulated Depreciation	-	-	-	2,220	-	-	-	-	2,220
~ W/O Accumulated Impairment	-	99	-	551	10	-	-	-	660
Revaluations:									
~ W/O Accumulated Depreciation	77	2,553	-	-	-	-	-	932	3,562
~ W/O Accumulated Impairment	-	1,456	-	-	-	-	-	5	1,461
Reclassifications:									
~ Transfer Accumulated Depreciation b/fwd	(28)	197	(1)	-	-	-	(157)	(6)	5
~ Transfer Accumulated Impairment b/fwd	-	(167)	-	-	-	-	167	-	-
At 31 March 2018	(67,205)	(21,515)	(39,977)	(13,409)	(19)	(95)	(2,359)	1	(144,578)
Balance Sheet Amount at 31 March 2018	199,110	313,439	117,567	8,010	991	535	71,042	6,837	717,531
Balance Sheet Amount at 31 March 2017	202,127	310,236	115,185	8,735	1,341	606	31,634	7,154	677,018

12.1.1.5 Comparative Movement in Non Current Asset Values Property, Plant & Equipment 2016-17

Owned Assets	Council House Assets	Other Land & Bldings	Infra-structure	Vehicle, Plant & Equip	Com'ty Assets	Heritage assets	Assets Under Const'n	Surplus Assets	Total Property Plant & Equip
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation At 31 March 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

12.1.1.6 Heritage Assets

Heritage Assets with a net carrying amount of £606k and £535k were held for 2016-17 and 2017-18 respectively. Further details of the Council's Heritage Assets can be obtained from the Pembrokeshire Museums and Archives Services.

12.1.2 Fixed Asset Disposals and De-recognitions in the Year

The gross carrying value of assets disposed of in the year were :	2016-17	2017-18
	£000	£000
Disposals		
Council Housing	1,088	529
Building Plots and Land	1,231	761
Investment Property	-	-
Other	4,449	1,465
Total Disposals	6,768	2,755
De-recognitions		
Council Housing	-	-
Building Plots and Land	-	10
Investment Property	-	-
Other	2,503	2,786
Total De-recognitions	2,503	2,796

12.1.3 Intangible Assets

Certain externally purchased software packages are recognised as intangible assets in the Balance Sheet, having a net carrying amount of £153k and £96k for 2016-17 and 2017-18 respectively.

12.1.4 IFRS 13 Fair Value Measurement – Surplus Assets

The fair value of the Council's surplus assets were £7,154k and £6,761k as at 31 March 2017 & 2018 respectively. Significant unobservable (Level 3) inputs were used to arrive at these valuations.

Valuation Techniques

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

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

The difference year on year is due to 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. Changes in market conditions will result in increases and decreases in the Fair Value.

Highest and Best Use of Surplus properties

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

12.1.5 Capital Expenditure and Financing

12.1.5.1 Capital Expenditure in Year

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

	2016-17 £000	2017-18 £000
Capital Expenditure Analysed by Services:		
Education	34,154	50,648
Social Services	694	403
Transport	5,038	6,615
Housing – H.R.A.	6,657	8,760
Housing – Council Fund	1,412	2,071
Culture & Related Services	1,064	2,405
Development	737	1,769
Environmental	1,013	1,221
Corporate	1,820	833
	52,589	74,725
Assets Acquired Under Finance Leases in the Year	9	6
Capital Investment	52,598	74,731
Representing:		
Fixed Assets Property Plant & Equipment	51,040	71,429
Sunk Costs Property Plant & Equipment	(497)	15
Intangible Assets	158	9
Loans & Advances	252	801
Gross Revenue Expenditure Funded from Capital Under Statute	1,645	2,477
	52,598	74,731
Financed by:		
Loans/Supported Borrowing	-	17,772
Unsupported Borrowing/LGFI	-	18,302
Capital Grants, Receipts & Contributions	27,710	26,938
General Fund Reserves Applied	24,879	11,713
Finance Leases	9	6
	52,598	74,731

12.1.5.2 Capital Financing Requirement

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

	2016-17 £000	2017-18 £000
Capital Financing Requirement as at 1 April	209,327	203,982
Movements in Year		
Increase/(Decrease) in Supported Borrowing (Local & Central Taxation)	(5,353)	31,315
Assets Acquired/Disposed of Under Finance Leases	8	5
Capital Finance Requirement as at 31 March	203,982	235,302
In Year Movement		
Capital Investment:		
Property Plant and Equipment Prior Year Reversal	(497)	15
Property Plant and Equipment	51,040	71,429
Intangible Assets	158	9
Loans & Advances	252	801
Revenue Expenditure Funded From Capital Under Statute	1,645	2,477
Sub-total	52,598	74,731
Prior Year Adjustment	-	-
Total	52,598	74,731
Sources of Finance:		
Capital Receipts	(4,650)	(15)
Set Aside Capital Receipts	(1,064)	(530)
Government Grants and Other Contributions	(23,060)	(26,923)
Finance Lease Disposals	(1)	-
Sums Set Aside From Revenue:		
- Direct Revenue Contribution	(24,879)	(11,713)
- Minimum Revenue Provision	(4,288)	(4,229)
- Miscellaneous adjustment	(1)	(1)
	(57,943)	(43,411)
Increase/(Decrease) in Capital Financing Requirement	(5,345)	31,320

12.1.5.3 Capital Contract Commitments

The following represents amounts committed under major works contracts. £2.926m has been accrued in the 2017-18 accounts.

The major commitments under capital contracts at the 31 March are:	2016-17 £000	2017-18 £000
Education	42,328	20,703
Social Services	1	3
Transport	2,270	3,018
Housing – H.R.A.	1,518	2,038
Housing – Council Fund	290	459
Culture & Related Services	2,841	1,001
Development	241	686
Environmental	326	41
Corporate	90	73
	49,905	28,022

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 £1.47m. Future commitments over the life of the contract are estimated to be £16.3m.

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

	2016-17 £000	2017-18 £000
Cost or Valuation		
At 1 April	9,711	9,824
Additions	141	150
Disposals	-	-
Reclassifications	-	-
Revaluations	(28)	-
At 31 March	9,824	9,974
Depreciation & Impairments		
Depreciation	(112)	(486)
Impairment	-	-
At 1 April	(112)	(486)
Depreciation Charge for Year	(241)	(233)
Impairment Losses for Year	(141)	(150)
Revaluation:		
W/O Accumulated Depreciation	-	-
W/O Accumulated Impairment	8	7
As at 31 March	(486)	(862)
Balance Sheet Amount at 31 March	9,338	9,112

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

	2016-17 £000	2017-18 £000
Liability		
Balance Sheet Amount at 1 April	(7,143)	(6,923)
Capital Element Repaid	220	241
Balance Sheet Amount at 31 March	(6,923)	(6,682)

12.2.3.3 PFI Lifecycle Cost Prepayment

	2016-17 £000	2017-18 £000
Prepayment		
Balance Sheet Amount at 1 April	(1,232)	(1,330)
Lifecycle Payment In Year	(239)	(247)
Lifecycle Non-Enhancing Expenditure In Year	141	150
Balance Sheet Amount at 31 March	(1,330)	(1,427)

12.2.3.4 Obligations Relating to PFI Assets

	Liability	Interest	Service Charge*	Lifecycle Replacement**	Total Oblig'n
	£000	£000	£000	£000	£000
Obligations 2018-19	263	614	239	67	1,183
Obligations 2019-20 - 2022-23	1,330	2,180	957	268	4,735
Obligations 2023-24 - 2027-28	2,508	1,880	1,196	336	5,920
Obligations 2028-29 - 2032-33	2,581	505	1,077	302	4,465
Obligations 2033-34 - 2037-38					-
Total Obligation At 31 March 2018	6,682	5,179	3,469	973	16,303
Total Obligation At 31 March 2017	6,923	5,818	3,708	1,040	17,489

*Estimated at current prices

12.3 LEASE AND LEASE TYPE ARRANGEMENTS

12.3.1 Council as Lessee

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

The Council has operating lease commitments of £791k and £663k for 2016-17 and 2017-18 respectively.

The minimum lease payments due under Finance Lease arrangements are £1,011k and £985k at 31 March 2017 and 31 March 2018 respectively.

12.3.2 Council as Lessor

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

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

Anticipated receipts from operating leases running up to 999 years is £14,436k.

12.4 INVENTORIES

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 2017	833	199	121	72	1,225
Purchases	3,191	371	1,544	451	5,557
Works In Progress	-	-	-	-	-
Recognised as an expense in year	(3,185)	(448)	(1,546)	(451)	(5,630)
Balance at 31 March 2018	839	122	119	72	1,152

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 2018 was £34.7m. The corresponding fair value of investments at 31 March 2017 was £68.8m.

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 2017 £000	Maturity Value			Interest Accrued in Year £000	Amortised Value 31 March 2018 £000	Fair Value 31 March 2018 £000
		1 April 2017 £000	Move-ment In Year £000	31 March 2018 £000			
Short Term (under 12 months)							
Money Market	67,946	67,852	(35,121)	32,731	41	32,772	32,780
Local Authority Mortgage Scheme	1,033	1,000	(1,000)	-	-	-	-
	68,979	68,852	(36,121)	32,731	41	32,772	32,780
Cash Equivalent							
Money Market	762	762	1,156	1,918	-	1,918	1,921
Total Investments	69,741	69,614	(34,965)	34,649	41	34,690	34,701

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 2017	Gross 31 March 2018	Impairment Allowance	Net 31 March 2018
	£000	£000	£000	£000
Amounts falling due after one year:				
Mortgages	-		-	-
Other Loans	746	1,352	-	1,352
Debts Against Estates	1,436	1,774	-	1,774
	2,182	3,126	-	3,126
Amounts falling due in one year:				
Central Government Bodies	9,014	13,929	-	13,929
Other Local Authorities & Public Bodies	1,191	2,593	(2)	2,591
NHS Bodies	2,432	3,238	(157)	3,081
HRA Tenants and Former Tenants	458	1,232	(783)	449
Prepayments	2,112	2,095	-	2,095
Council Taxpayers	260	1,898	(939)	959
Sundry Debtors & Accrued Income	7,954	11,261	(2,124)	9,137
	23,421	36,246	(4,005)	32,241

12.6.2 Creditors

	Balance 31 March 2017				Balance 31 March 2018			
	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	(3,796)	(729)	(3,599)	(8,124)	(4,119)	(770)	(3,414)	(8,303)
Other Local Authorities & Public Bodies	(2,370)	-	-	(2,370)	(1,079)	-	-	(1,079)
NHS Bodies	(64)	-	-	(64)	(974)	-	-	(974)
Deposits and Bonds	(2,213)	-	-	(2,213)	(1,968)	-	-	(1,968)
Sundry Creditors	(14,551)	-	(4,843)	(19,394)	(20,357)	-	(4,339)	(24,696)
	(22,994)	(729)	(8,442)	(32,165)	(28,497)	(770)	(7,753)	(37,020)
Loan Interest				(1,243)				(2,427)
Loans Maturing within One Year				(1,517)				(1,699)
Total Creditors				(34,925)	(28,497)	(770)	(7,753)	(41,146)

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 2017	Change in amount where conditions expected to be satisfied in < 1 year	Applied in Year Conditions Met	Returned / Accrual Reversed in Year Conditions Not Met	Received In Year Conditions Outstanding	Balance at 31 March 2018
Current Liability:						
Revenue Grants						
· General Fund	(729)	-	729	-	(770)	(770)
· HRA	-	-	-	-	-	-
Capital Grants						
· General Fund	(8,442)	-	2,541	(503)	(1,349)	(7,753)
· HRA	-	-	-	-	-	-
Total	(9,171)	-	3,270	(503)	(2,119)	(8,523)

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

Capital Grants Receipts in Advance	2016-17 £000	2017-18 £000
Current Liabilities		
WG - Home Improvements	(797)	(428)
WG - Town Centre	(2,227)	(2,568)
Contribution to Group Repair Schemes	(1,472)	(377)
S106 Developers Contributions	(2,807)	(3,323)
Other Capital Grants & Contributions	(1,139)	(1,057)
Total Current Liabilities Capital Grants Receipts in Advance	(8,442)	(7,753)

Revenue Grants Receipts in Advance	2016-17 £000	2017-18 £000
Current Liabilities		
Education & Childrens' Services	(35)	(97)
Adult Social Services	-	(5)
Culture, Environment & Planning Services	(115)	(110)
Highways & Transport Services	-	(40)
Central & Corporate Services	(571)	(404)
General Fund Housing & HRA	(8)	(114)
Total Current Liabilities Revenue Grants Receipts in Advance	(729)	(770)

12.7 CASH AND CASH EQUIVALENT

	Balance 1 April 2017 £000	Balance 31 March 2018 £000
Cash at bank / in hand	2,765	2,139
Bank Call Accounts	762	1,918
Cash overdrawn	-	-
Total Cash and Cash Equivalents	3,527	4,057

12.8 ASSETS HELD FOR SALE

	2016-17 £000	2017-18 £000
Balance outstanding at start of year	-	-
Assets classified as Held for Sale during year	2,093	2,756
Revaluation gains / losses	15	-
Assets sold	(2,108)	(2,653)
Balance outstanding at end of year:	-	103

12.9 PROVISIONS AND CONTINGENT LIABILITIES AND ASSETS

12.9.1 Provisions

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

	2016-17			2017-18		
	Insurance £000	Other £000	Total £000	Insurance £000	Other £000	Total £000
Brought Forward at 1 April	(1,293)	(60)	(1,353)	(952)	-	(952)
Cost of Claims Charged To Services	892	-	892	407	-	407
Less : External Reimbursement	(3)	-	(3)	(24)	-	(24)
Other	-	101	101	-	-	-
Charged To Provision	889	101	990	383	-	383
Contributions & Transfers In Year	(548)	(41)	(589)	(871)	-	(871)
Balance Carried Forward at 31 March	(952)	-	(952)	(1,440)	-	(1,440)

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 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.
- 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.
- The Authority is at risk of having to pay a financial penalty for narrowly failing to meet its statutory waste recycling target for 2017-18. This is not likely to be material.
- A significant national care provider has gone into a company voluntary arrangement (CVA) with its creditors. This now places the company on a sustainable long term footing and enables the implementation of a business plan that will endorse continuity of care across health and social care operations. They provide a number of care packages for the Authority, the effect is not likely to be material.
- The Council is working collaboratively with the fire service to mitigate the fire tolerance levels at some of its low level blocks of flats, some are leased and others are within the HRA portfolio. Mitigation work is ongoing as flats become vacant. There is a potential for this to be a material issue for the HRA.
- A project management company employed by the Council (as the College could not access the framework) and engaged on the Pembrokeshire College extension is working to resolve a contractual dispute between the College and its building contractor which has resulted in the need for the Council to initiate a collateral warranty clause within the framework contract with the project management company.

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	2016-17 £000	Market Loans £000	NAW £000	PWLB £000	2017-18 £000
Maturity Value	(200,633)	(40,000)	(100)	(158,834)	(198,934)
Financial Adjustment Account Entries					
Effective Interest Rate Adjust					
· Prior years	(468)	(579)	71	-	(508)
· Current year	(40)	4	(36)	-	(32)
Deferred Liabilities Account Entries					
Discounts Transferred	(200)	(200)	-	-	(200)
Less Discount write down					
· Prior years	14	16	-	-	16
· Current year	2	2	-	-	2
Council Fund Account Entries					
Effective Interest Rate w/off	(8)	(8)	-	-	(8)
Amortised Value	(201,333)	(40,765)	(65)	(158,834)	(199,664)

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 2018. 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	2016-17 £000	Market Loans £000	NAW £000	PWLB £000	2017-18 £000
Maturity Value					
As at 1 April					
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)
Repaid in Year	1,512	3,000	100	1,417	4,517
Raised in Year	(5,400)	(3,000)	-	-	(3,000)
As at 31 March					
Long Term Borrowing	(200,633)	(40,000)	(100)	(158,834)	(198,934)
Short Term Borrowing	(1,517)	-	(100)	(1,599)	(1,699)
Total Borrowing	(202,150)	(40,000)	(200)	(160,433)	(200,633)
Change in amount due in less than 1 year	(4)	-	-	(182)	(182)
Fair Value	(298,260)	(65,286)	(192)	(226,578)	(292,056)

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 2018. However for comparison calculating fair value using exit pricing would have resulted in a value of £344.2m calculated on an early repayment discount rate method. The Authority has no contractual obligations to pay these penalty costs and would not incur any additional cost if the loans run to their maturity date.

An analysis of the debt portfolio by maturity value by lender and by maturity profile at 31 March 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 2017	Incurred In Year	Released In Year	In Year PV Adjust-ment	Balance at 31 March 2018
	£000	£000	£000	£000	£000
S. Care Debts Against Estates	(1,436)	(1,861)	1,474	48	(1,775)
Private Finance Initiative (PFI)	(6,923)	-	241	-	(6,682)
Finance Leases (Property)	(160)	-	-	-	(160)
Finance Leases (Equipment)	(33)	(6)	15	-	(24)
Total	(8,552)	(1,867)	1,730	48	(8,641)

12.12 USABLE RESERVES

	2016-17 £000	2017-18 £000
Earmarked Reserves (see note 11.2.1)	(48,199)	(44,923)
Capital Receipts and Contributions (see note 11.2.2)	(2,055)	(4,887)
Total	(50,254)	(49,810)

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 2017*	Movement in Year	Balance at 31 March 2018
	£000	£000	£000
Deferred Capital Receipts Reserve	(48)	-	(48)
Capital Adjustment Account*	(324,808)	(12,796)	(337,604)
Revaluation Reserve	(149,082)	2,944	(146,138)
Financial Instruments Adjustment Account	1,005	(47)	958
Accumulated Absences Account	1,524	110	1,634
Pensions Reserve	155,398	(18,601)	136,797
PFI Lifecycle Reserve	(1,330)	(97)	(1,427)
Unusable Reserves Total	(317,341)	(28,487)	(345,828)

* Restated to reflect opening balance adjustments

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 2017	Advanced	Repaid	Balance at 31 March 2018
	£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.

	2016-17 £000	2017-18 £000
Balance 1 April	(299,802)	(324,806)
Prior year write down of photocopier liability	-	1
Prior year sunk cost	-	15
Prior year capital spend transferred to revenue	(498)	(18)
Restated Balance 1 April	(300,300)	(324,808)
Amounts Set Aside To Repay Debt		
- Minimum Revenue Provision	(4,288)	(4,229)
- Reserved Capital Receipts	(1,064)	(530)
Financing of Expenditure on Fixed Assets:		
- Capital Fund applied	(21,388)	(10,700)
- Other Funds applied	(3,491)	(1,013)
- Capital Receipts applied	(4,650)	(15)
- Capital Grants & Contributions credited to CI&E applied to capital financing	(21,454)	(24,446)
Income & Expenditure Statement Charges:		
- Write down of Net Revenue Expenditure Funded from Capital Under Statute	39	-
- Amount Provided for Depreciation	21,156	19,211
- Non-Enhancing Expenditure	7,271	9,122
- Impairment	4,246	19
- Revaluation Loss	4,505	4,525
- Revaluation Gain used to reverse previous Revaluation Loss	(1,499)	(1,679)
- Write down of Deferred Liability	148	200
Fixed Asset Movements:		
- Disposals	2,570	2,672
- Valuation Adjustments	(15)	-
Revaluation Reserve Movements:		
- Amounts written off	(6,592)	(5,933)
Balance Carried Forward 31 March	(324,806)	(337,604)

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

	2016-17 £000	2017-18 £000
Balance Brought Forward at 1 April	(153,412)	(149,082)
Revaluation Gains	(9,973)	(11,706)
Downward revaluation and impairment*	7,696	8,717
Surplus/Deficit on revaluation of non-current assets not charged to the surplus/deficit on the provision of services	(2,277)	(2,989)
Write off excess current value depreciation over historical cost depreciation	5,682	4,382
Write off excess current value impairment over historical cost impairment	-	-
Write off balance re asset disposals	910	1,551
Write off balance re miscellaneous assets (e.g. scrapped and demolished assets)	-	-
Total Written Off	6,592	5,933
Category Transfers	15	-
Balance Carried Forward at 31 March	(149,082)	(146,138)
* 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.

	2016-17 £000	2017-18 £000
Balance 1 April	1,044	1,005
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	40	32
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	1,005	958

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

Investment Credit Risk

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

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

Credit Exposures

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

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

Liquidity Risk

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

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

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

Market Risks

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

Interest Rate Risk

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

- The Council maintains a significant debt and investment portfolio. To limit re-financing risk the Council's policy is to try and ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. Where, because of an inherited debt position, this is more difficult an optimum time for refinancing will be sought.
- Changes in interest rates will not impact on the Balance Sheet for the majority of assets and liabilities held at amortised cost, but will impact on those held at fair value. The fair value of fixed rate financial assets will fall if interest rates rise and the fair value of fixed rate financial liabilities will rise if interest rates fall.

- Increases in rates will potentially increase investment income and the cost of borrowing and vice versa. The extent at any one time depends upon the composition and maturity profile of the investment and loans portfolios and the relativity of borrowing and investment rates. If interest rates had been 1% higher at 31 March 2018 the net financial effect would be increased interest income of £440k.

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 the following exposure to movement in exchange rates:

- The Council has one grant aided scheme where the grant is denominated in Euros. A Euro Bank account was opened to support this scheme. The Council is the lead body for the Buccaneer Grant for the period 2017-18 to 2020-21 in which the grant is claimed in euros for all parties, including Pembrokeshire. Although the Council redistributes the grant received to all parties in euros the Council is exposed to exchange risk on their remaining element. There was no balance on the Euro account as at 31 March 2018.
- As set out in The Treasury Management Governance Arrangements the Council acknowledge their pursuit for "Value for Money" for all their treasury activities and in addition there is a project risk register. As at the 31 March 2018 there was a debtor of £52k relating to grant outstanding, therefore the exchange rate risk is immaterial.

12.13.4.2 Analysis of Loans Portfolio at Maturity Value by Lender and by Maturity Profile at 31 March 2018

Due for Redemption Within:	1 Year	1-2 Years	2 to 5 Years	5 to 10 Years	Over 10 Years	Total 2017-18
	£000	£000	£000	£000	£000	£000
Market Loans	-	-	-	-	40,000	40,000
NAW	100	100	-	-	-	200
PWLB	1,599	540	12,434	19,126	126,734	160,433
Total	1,699	640	12,434	19,126	166,734	200,633
Fixed rate	1,699	640	12,434	19,126	151,734	185,633
Variable rate	-	-	-	-	15,000	15,000
Total	1,699	640	12,434	19,126	166,734	200,633

12.13.4.3 Analysis of Investment Portfolio at Maturity Value by Credit Exposure and by Maturity Profile at 31 March 2018

Due for Realisation Within :	1 Year	2 Years	5 Years	Total 2017-18
	£000	£000	£000	£000
Specified Investments (duration when made less than 364 days)				
Banks & Building Societies	34,649	-	-	34,649
Local Authorities	-	-	-	-
Non Specified (duration when made greater than 364 days)				
	-	-	-	-
Total	34,649	-	-	34,649
Fixed rate	22,999	-	-	22,999
Variable rate (Call Accounts)	11,650	-	-	11,650
Total	34,649	-	-	34,649

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.

	2016-17 £000	2017-18 £000
Balance 1 April	1,212	1,524
Settlement or cancellation of preceding year's accrual	(1,212)	(1,524)
Accrual for current year	1,524	1,634
Balance 31 March	1,524	1,634

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.

	2016-17 £000	2017-18 £000
Balance 1 April	105,952	155,398
Remeasurements of Pension Liabilities and Assets	40,855	(34,340)
Reversal of items chargeable to the surplus/ deficit on the provision of services in the Comprehensive Income and Expenditure Statement	19,614	27,643
Employers pension contributions and other direct payments in the year	(11,023)	(11,904)
Balance 31 March	155,398	136,797

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.

	2016-17		2017-18	
	HRA Working Balance	Earmarked HRA Reserves	HRA Working Balance	Earmarked HRA Reserves
	£000	£000	£000	£000
Balance 1 April	(752)	(6,565)	(752)	(8,247)
(Surplus) / Deficit On HRA Services	(108)	-	1,491	-
Adjustments between Accounting Basis and Regulatory Funding Basis.				
Amounts included in HRA Income and Expenditure required by regulation to be excluded to arrive at the funding position				
- Depreciation, impairment & revaluation of Council dwellings & infrastructure	(9,614)	-	(11,703)	-
- Capital Grants treated as revenue income	3,980	-	3,986	-
- Net gain or loss on disposal of non-current assets	10	-	(12)	-
- Pension Cost Adjustment	(912)	-	(1,335)	-
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	1,641	-	1,587	-
- Revenue contribution to finance capital	2,615	-	4,640	-
- Employer's contribution to the Dyfed Pension Fund	495	-	551	-
Net (Increase) / Decrease Before Transfers (To) / From Reserves	(1,785)	-	(2,286)	-
Transfers (To)/ From Reserves	1,893	(1,682)	795	(547)
(Increase) / Decrease In Year	108	(1,682)	(1,491)	(547)
Balance 31 March	(752)	(8,247)	(752)	(8,794)

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.

	2016-17			2017-18		
	Rent Setting	Adjusts	IFRS Report	Rent Setting	Adjusts	IFRS Report
	£000	£000	£000	£000	£000	£000
Income						
Rents: Dwellings (gross)	(20,564)	-	(20,564)	(21,571)	-	(21,571)
Other	(373)	-	(373)	(368)	-	(368)
Charges for services and facilities	(414)	-	(414)	(531)	-	(531)
Contributions towards expenditure	(622)	-	(622)	(639)	-	(639)
Total Income	(21,973)	-	(21,973)	(23,109)	-	(23,109)
Expenditure						
Repairs and maintenance (Pensions IAS19 adj)	7,705	98	7,803	7,921	229	8,150
Supervision and management (Pensions IAS19 adj)	3,561	146	3,707	3,822	370	4,192
Rents, rates, taxes & other charges	25	-	25	22	-	22
Bad debt provision	223	-	223	248	-	248
Depreciation, impairment & revaluation movements of non current assets *	-	9,614	9,614	-	11,703	11,703
Debt management costs	10	-	10	10	-	10
Total Expenditure	11,524	9,858	21,382	12,023	12,302	24,325
HRA services share of corporate and democratic core	70	-	70	73	-	73
HRA Services share of non distributed costs	-	-	-	-	-	-
Net Cost / (Income) of HRA Services	(10,379)	9,858	(521)	(11,013)	12,302	1,289
HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement						
Interest receivable	(1)		(1)	(3)	-	(3)
Minimum Revenue Provision	1,641	(1,641)	-	1,587	(1,587)	-
Interest payable (including debt redemption premiums and discounts)	4,230	-	4,230	3,995	-	3,995
Appropriations to Reserves	4,509	(4,509)	-	5,434	(5,434)	-
(Gains)/Loss on HRA assets	-	(10)	(10)	-	12	12
Major Repairs Allowance & Other Grants	-	(3,980)	(3,980)	-	(3,986)	(3,986)
Pensions interest costs and expected rate of return	-	174	174	-	184	184
(Surplus) / Deficit for Year on HRA Services	-	(108)	(108)	-	1,491	1,491

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 5657 dwellings and 1,075 shops and garages in 2017-18 comprising of:

	Stock at 1 April 2017	Additions	Transfers	Sales / Demolitions	Stock at 31 March 2018
Houses / Bungalows	4,378	6	1	(5)	4,380
Bedsits and Flats	1,277	3	-	(1)	1,279
Shops and Garages	1,076	-	-	(1)	1,075
Pumping Stations & Treatment Works	27	-	-	-	27
Total Stock	6,758	9	1	(7)	6,761

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

13.3.2 Rents - Dwellings

This is the total rent income due for the year after an allowance has been made for empty properties etc. Weekly rents were increased by 2.5% in 2017-18, 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 £73.93. Individual rent increases applied varied between £1.92 and £3.99 per week (52 week). In addition to annual rent increases, properties which become void are re-let at target rent levels, this impacts on average rent levels calculations due to the high number of voids each year and should be taken into consideration when looking at the comparative figures for 2016-17 which are 1.4% and £70.44 respectively.

Tenants & Former Tenants	2016-17 £000	2017-18 £000
Gross Arrears	1,355	1,310
Bad Debt Allowance	(858)	(814)
Net Arrears at 31 March	497	496

13.3.3 Services Charges

Welsh Government require Service Charges to be De-pooled from rents. During 2017-18 tenants were charged for all services received with the exception of Grounds maintenance services. Individual tenants were charged between £0.11 and £20.29 per week. 1,185 PCC tenants were charged for services with the average weekly charge being £5.29 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 1st April 2017	249,910	835	7,371	258,116
Additions	8,706	-	49	8,755
Derecognition - disposals	-	-	-	-
Derecognition - other	-	-	-	-
Revaluation Acc Dep & Imp w/o to GCA	(37)	(40)	-	(77)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	135	29	-	164
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(329)	-	-	(329)
Reclassifications - PPE & Investment	80	196	-	276
Reclassifications - Held for Sale	(520)	(70)	-	(590)
At 31st March 2018	257,945	950	7,420	266,315
Depreciation & Impairments				
Depreciation	(3,595)	(138)	(638)	(4,371)
Impairment	(51,166)	-	(452)	(51,618)
At 1st April 2017	(54,761)	(138)	(1,090)	(55,989)
Depreciation Charge for 2017/18	(3,466)	(207)	(174)	(3,847)
Impairment Losses to RR	-	-	-	-
Impairment Losses to Surplus/Deficit on the Provision of Services*	(7,418)	-	-	(7,418)
Disposals:				
~ W/O Accumulated Depreciation	-	-	-	-
~ W/O Accumulated Impairment	-	-	-	-
Revaluations				
Revaluation Acc Dep w/o to GCA	37	40	-	77
Revaluation Acc iMP w/o to GCA	-	-	-	-
Reclassifications				
~ Transfer Accumulated Depreciation b/fwd	-	(28)	-	(28)
~ Transfer Accumulated Impairment b/fwd	-	-	-	-
At 31st March 2018	(65,608)	(333)	(1,264)	(67,205)
Balance Sheet Amount at 31st March 2018	192,337	617	6,156	199,110
Balance Sheet Amount at 1st April 2017	195,149	697	6,281	202,127

*£7,418k 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:	2016-17 £000	2017-18 £000
Major Repairs Allowance Grant	3,980	3,986
Capital Grants & Contributions	63	134
Capital Receipts	-	-
Capital Fund	2,615	4,640
Total	6,658	8,760
Receipts From Asset Disposals	1,081	547

13.3.6 HRA Pension Costs

HRA pension contributions of £600k 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

The Council operates trust funds for Education & Children's Services, Social Care, Tenby Swimming Pool and Welsh Church Act Fund representing total accumulated funds of £3.9m in 2016-17 and £3.9m in 2017-18.