



PEMBROKESHIRE COUNTY COUNCIL

ANNUAL FINANCIAL REPORT

INCLUDING STATEMENT OF ACCOUNTS

2015-16

27 July 2016

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## **EXPLANATORY FOREWORD**

This explanatory foreword summarises the financial performance of the Council for 2015-16 and highlights pertinent issues appearing in the Balance Sheet at 31 March 2016.

There were no major changes to the statutory functions undertaken by the Council to impact on the accounts. Following the Compact signed between Welsh Local Government and the Welsh Government, work continues on exploring methods of delivering services on a collaborative basis with other public sector bodies, e.g. Education through Regional Working (ERW).

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

## **SUMMARISED FINANCIAL PERFORMANCE 2015-16**

The summarised financial performance is reported to Cabinet and the Overview & Scrutiny Committees on a quarterly basis throughout the year as part of the Integrated Budget, Internal Control, Business Risk Management and Performance Report, with RAG ratings used to highlight areas of higher risk. Set out in the following table and paragraphs is the final outturn position for 2015-16, with comparable information for 2014-15 and the original estimates for 2015-16 approved by Council for resource allocation and used for Council Tax setting purposes. Also highlighted are any key issues appearing in the accounts as at 31 March 2016.

## 1. REVENUE EXPENDITURE

Revenue Account	2014-15 Actual Outturn £000	2015-16				
		Estimate		Actual		
		Original Estimate £000	Revised Estimate £000	Gross Expend £000	Income £000	Net Expend £000
Children's Services	101,855	100,088	100,113	125,026	(25,730)	99,296
Adult Social Care Services	43,164	43,389	44,241	63,612	(19,181)	44,431
General Fund Housing	1,223	1,254	1,101	37,427	(36,403)	1,024
Highways & Transportation Services	8,822	8,397	8,385	18,193	(10,429)	7,764
Culture, Environment & Planning	21,864	20,096	20,409	36,789	(17,131)	19,658
Services to the Public	9,299	9,519	9,283	11,225	(1,901)	9,324
Corporate & Democratic Core	3,386	3,372	3,140	4,246	(51)	4,195
Non-Distributed Costs	(799)	(1,240)	(1,241)	990	(1,932)	(942)
Court Services	253	210	215	243	(27)	216
Cost Reductions *	-	(1,200)	-	-	-	-
Contribution to 21C Schools	-					-
<b>Net Cost of Services</b>	<b>189,067</b>	<b>183,885</b>	<b>185,646</b>	<b>297,751</b>	<b>(112,785)</b>	<b>184,966</b>
Levies	6,949	7,019	7,019			7,037
Interest & Investment Income	(486)	(488)	(525)			(609)
Capital Financing Costs	11,684	12,371	10,613			11,346
<b>Total</b>	<b>207,214</b>	<b>202,787</b>	<b>202,753</b>	<b>297,751</b>	<b>(112,785)</b>	<b>202,740</b>
Financed By:						
Revenue Support Grant and Special Grant	(127,874)	(124,377)				(124,377)
NNDR	(38,842)	(35,668)				(35,668)
Council Tax	(42,023)	(42,742)				(43,683)
	<b>(208,739)</b>	<b>(202,787)</b>				<b>(203,728)</b>

\* Factored into revised and actual figures for 2015-16

Copies of the Council's estimate and monitoring reports can be found on the website by searching the Cabinet documents at [www.pembrokeshire.gov.uk](http://www.pembrokeshire.gov.uk).

## **1.1 Commentary on the 2015/16 Revenue Performance**

The Council again set the lowest council tax in Wales (£801.04 band D property) and spent £202.7m broadly in line with the revised estimate approved in March 2016. The working balance was increased to £7.0m as part of a review of all Reserves held by the Authority. The external auditors, in their Annual Improvement Report published in September 2015, said, “The Council has generally robust, if rather traditional, financial management arrangements that have served it well, and it is developing a longer-term strategic view although Members are not sufficiently involved in the planning and monitoring of the cost reduction/income generation plans.”

Net appropriations to capital reserve and earmarked reserves totalled £3.6m, further details of which are set out on page 19 below.

## **1.2 Service Specific Issues**

All service specific issues and commentary are shown in the County Council Budget [Outturn Monitoring Report](#) as reported to Cabinet 23 May 2016.

## **1.3 Implications and Risks**

It is not anticipated that there are any unbudgeted commitments or liabilities arising from 2015-16 that the Council cannot meet.

During 2015-16 cost reduction/efficiency savings of £10.1m, plus additional council tax of £2.2m, have been achieved with a cumulative figure of £31.7m at 31 March 2016 being achieved over the last 8 years. The main risk is that future cost reductions/efficiencies of £42.8m for the period 2016-17 to 2019-20, cannot be achieved. This situation could be exacerbated by any further cuts to Aggregate External Finance (AGF) on top of the projected 4.5% reductions per annum, and any significant increase in demographic pressures.

The Medium Term Financial Plan for 2016-17 to 2019-20 reflects the updated position prior to closure of the 2015-16 accounts and was approved by Council on 10 March 2016. It will be revised to take account of the 2015-16 outturn position together with the economic, service, legal, demographic and resource assumptions and risks inherent in the financial projections at least annually.

#### 1.4 Reconciliation of Revenue Expenditure Summary 2015-16 to Comprehensive Income and Expenditure Statement 2015-16 (page 50)

	Net Actual Expend £000	Revenue Expend Funded From Capital £000	Dep'n & Impair ment £000	Current Cost Pension Adj £000	Employee Benefit Accrual £000	Reserve Transactions £000	Service MRP & Interest £000	Investment Properties £000	Prior Year Adjs £000	Specific Grants £000	Other Misc Adjs £000	Comp Income & Expend £000
Children's Services	99,296	-	38,946	2,497	(227)	(1,128)	(942)	-	-	-	2	138,444
Adult Social Services	44,431	-	695	798	-	25	(2)	-	-	-	-	45,947
General Fund Housing	1,024	-	(303)	127	-	5	-	-	-	-	1	854
Highways & Transport Services	7,764	46	3,955	540	-	16	(189)	-	-	-	-	12,132
Culture, Environment & Planning	19,658	112	10,664	1,485	-	(1,064)	(18)	95	-	-	2	30,934
Services to the Public	9,324	-	10	165	-	(110)	-	-	-	-	-	9,389
Corporate & Democratic Core	4,195	-	1,150	164	-	(932)	(4)	-	(137)	-	(374)	4,062
Non-Distributed Costs	(942)	-	-	(63)	-	353	-	-	-	1,270	154	772
Court Services	216	-	-	4	-	-	-	-	-	-	-	220
<b>Net Cost of Services</b>	<b>184,966</b>	<b>158</b>	<b>55,117</b>	<b>5,717</b>	<b>(227)</b>	<b>(2,835)</b>	<b>(1,155)</b>	<b>95</b>	<b>(137)</b>	<b>1,270</b>	<b>(215)</b>	<b>242,754</b>
Services not in Main Analysis (HRA)	-	-	73,791	300	-	(4,220)	74,721	-	-	-	2	144,594
<b>Net Cost of Services (inc HRA) / Deficit on Continuing Operations</b>	<b>184,966</b>	<b>158</b>	<b>128,908</b>	<b>6,017</b>	<b>(227)</b>	<b>(7,055)</b>	<b>73,566</b>	<b>95</b>	<b>(137)</b>	<b>1,270</b>	<b>(213)</b>	<b>387,348</b>
<b>Other Operating Expenditure</b>												<b>18,252</b>
<b>Financing &amp; Investment Income &amp; Expenditure</b>												<b>14,025</b>
<b>Taxation &amp; Non Specific Grant Income</b>												<b>(235,167)</b>
<b>(Surplus) or Deficit on Provision of Services</b>												<b>184,458</b>
<b>Other Comprehensive Income &amp; Expenditure</b>												<b>23,196</b>
<b>Total Comprehensive Income &amp; Expenditure</b>												<b>207,654</b>

## 2. COUNCIL HOUSING (HOUSING REVENUE ACCOUNT)

The summarised financial performance for Council Housing is reported to Cabinet and the Overview & Scrutiny Committees on a quarterly basis throughout the year as part of the Integrated Budget, Internal Control, Business Risk Management and Performance Report, with RAG ratings used to highlight areas of higher risk. Set out in the following table and paragraphs is the final outturn position for 2015-16, with comparable information for the previous year 2014-15 and the original estimates for 2015-16 approved by Council for resource allocation and used for rent setting purposes. Also highlighted are any key issues appearing in the accounts as at 31 March 2016.

Housing Revenue Account	2014-15 Actual Outturn £000	2015-16		
		Original Estimate £000	Revised Estimate £000	Actual Outturn £000
<b>Income</b>				
Rents - Dwellings	(19,002)	(19,835)	(19,835)	(19,825)
Other	(1,110)	(1,252)	(1,157)	(1,225)
<b>Total Income</b>	<b>(20,112)</b>	<b>(21,087)</b>	<b>(20,992)</b>	<b>(21,050)</b>
<b>Expenditure</b>				
Management & Maintenance	12,978	13,824	14,391	14,896
Negative Subsidy	6,546	-	-	(3)
Capital Financing Costs	340	6,830	6,166	6,054
Other	248	432	434	103
<b>Total Cost</b>	<b>20,112</b>	<b>21,086</b>	<b>20,991</b>	<b>21,050</b>

There were significant changes made to the Housing Revenue Account in 2015-16 with the abolition of the (negative) subsidy system with the introduction of a self-financing system which resulted in an additional £80.7m of PWLB debt being taken at the beginning of the year. However, the Housing Revenue Account working balance remains unchanged at £752,000.

Rents were increased by 2.7% (CPI 1.2% plus 1.5%) plus £1.50 per week for 2015-16, subject to the rent levels being below target rent.

### 2.1 Implications and Risks

The 30 year HRA Business Plan (BP) was revised for 2015-16 and submitted to Welsh Government in support of the bid for Major Repairs Allowance 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 Major Repairs Allowance Grant and various other planning criteria (the number of Council house sales and various economic factors).

The financial costs and benefits of leaving the HRA subsidy system were reflected in the BP and include a commitment to increase housing stock (initially through an acquisition programme) and additional resources to improve housing and maintenance services.

During 2015-16 the Authority started the transition process to harmonise its rents with the Target Rent levels set by Welsh Government in the Housing (Wales) Bill. From April 2015 Council Tenants whose rent fell below target rent levels were charged up to an extra £1.50 per week. Whilst generating additional rental income to the Authority this had 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.

Following consultation with Tenants and Members, the process of Service Charge De-pooling commenced from April 2015. In the first year only Warden Service costs were charged as part of a phased introduction of service charges to tenants. Further service charges will be de-pooled in 2016-17 and expected income streams are included within the BP submitted for MRA purposes.

### 3. CAPITAL INVESTMENT

The Council's capital investment policy is centred around the provision of high quality business and other facilities together with the rationalisation and improvement of its infrastructure and building stock. Capital investment totalled £33.3m compared to an estimated programme of £41.7m. Where delays to schemes have occurred, the projects and the associated funding provision have been carried forward.

#### 3.1 Capital Expenditure & Funding

The 2015-16 expenditure and 2016-17 capital investment plans are summarised as follows:

	<b>Latest Approved Programme 2015-16 £000</b>	<b>Actual Expenditure 2015-16 £000</b>	<b>Original Estimate 2016-17 £000</b>
<b>Expenditure</b>			
Education (including 21st Century Schools Programme)	12,335	11,156	56,563
Social Care	567	304	50
Highways & Transportation	9,603	8,257	9,214
Housing - H.R.A.	9,720	7,625	10,512
Housing – General Fund	2,481	1,338	1,345
Culture & Related Services	1,679	1,464	1,190
Planning & Development	1,056	1,443	6,008
Environmental	1,509	1,021	2,560
Corporate	2,754	645	1,950
<b>Total Expenditure</b>	<b>41,704</b>	<b>33,253</b>	<b>89,392</b>
<b>Financing</b>			
Capital Grants & Contributions	15,143	19,594	49,333
Capital Receipts & Capital Fund	16,574	9,011	29,184
Earmarked Reserves	4,095	2,940	2,875
Borrowing	5,892	1,708	8,000
<b>Total Financing</b>	<b>41,704</b>	<b>33,253</b>	<b>89,392</b>

#### 3.2 Implications and Risks

Welsh Government has confirmed their method of financial support for the £149.9m 21<sup>st</sup> Century Schools Programme. They will provide 50% support for the programme via two sources of funding - £56m in the form of capital grant which will be claimed over the period of the Programme and the Local Government Borrowing Initiative (LGBI), a revenue grant for a period of 30 years used to finance loan borrowing of £18.9m.

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

The implications of these proposals have been modelled in the revised 4 year Medium Term Financial Plan 2016-17 to 2019-20.

## **4. ASSETS & LIABILITIES**

### **4.1 Fixed Assets**

The Council's fixed asset portfolio was valued at £661m as at 31 March 2016 compared to £798m as at 31 March 2015.

Fixed assets acquisitions in the year were made for consideration of £3.6m. This figure is included in the total additions value of £31.0m with the remaining value relating to construction costs or work relating to existing assets.

Asset disposals realised £3.9m in respect of non-council housing and £0.9m in respect of council house sales. At 31 March 2016, surplus assets awaiting disposal have an estimated value of £4.6m, of which £2.6m is estimated as being likely to be sold within the next 12 months.

Impairment of £0.2m was charged in the year to represent dilapidation of buildings and demolition of assets.

#### **4.1.1 Implications and Risks**

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

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

#### 4.1.2 Fixed Asset Portfolio

	<b>31 March 2016</b>
<b>Council Housing Property</b>	<b>Numbers</b>
Dwellings	4,385
Flats and Bedsits	1,276
Shops	21
Garages	1,055
Treatment Works	21
Pumping Stations	6
<b>Other Land and Buildings</b>	
<b>Education &amp; Children Services Buildings</b>	
Primary Schools*	61
Secondary Schools*	8
Special Schools	1
Pupil Referral Units	1
Community Centres	4
Professional Education Centre	1
Youth Centres	6
Family Centres	5
Respite Care Homes (LD)	1
<b>Social Services Buildings</b>	
Day Centres	7
Homes for the Elderly	3
Sheltered Workshop	1
Social Activity Centres	3
	1
<b>Housing Services</b>	
Homeless Hostels	1
Gypsy Traveller Sites	5
<b>Highways Roads &amp; Transport Services</b>	
Airport	1
Car Park	87
Multi Storey Car Park	2
Other Car Parks (No Parking Order)	14
<b>Cultural Environment &amp; Planning Services</b>	
Leisure Centres and Swimming Pools**	10
<p>*Voluntary Controlled (VC) , Voluntary Aided (VA) and PFI schools for which the Council has legal title are included on the Council's Balance Sheet. Those that are legally owned by other bodies are excluded. The gross carrying value of VC and VA schools excluded from the Balance Sheet is approximately £12m.</p> <p>** The gross carrying value of the Tenby Pool area of Tenby Leisure Centre (approx £2.0m) is held in trust. In accordance with changes to the Code, this has been included in the Balance Sheet. It is also reported separately as part of the Tenby Pool Trust accounts. The asset is recorded in the figures above.</p> <p>The number of assets in some categories have changed due to the ongoing re-categorisation exercise being undertaken by the Property and Asset Management Service.</p>	

<b>Other Land and Buildings cont...</b>	<b>31 March 2016</b>
<b>Cultural Environment &amp; Planning Services cont...</b>	<b>Numbers</b>
Surf Rescue Centres	3
Libraries	10
Museums	5
Picnic Site / Amenity Area	1
Playing Field	1
Woodland	1
Tourist Attractions	1
Tourist Information Centres	2
Civic Amenity Sites	6
Crematorium	1
Depot	5
Boat Yard	5
County Farms	47
Development Land	24
Electricity Sub-Station	8
Garage Site (Non-HRA)	12
Grazing Land	41
Harbour	2
Harbour Stores, Offices & Cafés	35
Industrial Estates	17
Industrial Plots	66
Industrial Units	153
Land & Buildings Leased to the Community	41
Market	4
Miscellaneous Property	3
Mortuary	1
Offices	7
Public Conveniences	74
Shops	5
Stores	15
Science and Technology Park	1
Training Centre	1
Yacht Clubs	2
Youth Hostel	1
Other Land	76
Other Buildings	2
Vacant Properties	5
<b>Central &amp; Support Services</b>	
Administrative Buildings	9
Archives	1
<b>Plant Vehicles &amp; Equipment</b>	
Large Plant	45
Vehicles	341
Equipment	105

	<b>31 March 2016</b>
<b>Infrastructure</b>	<b>Numbers</b>
Toll Bridge	1
Bus Shelter	83
Slipways/Pontoons & Landing Stages	16
Pumping Stations	14
<b>Community Assets</b>	
Allotment	20
Cemetery	14
Common Land	3
Community Centre	1
Footpath	16
Foreshore	1
Gardens	25
Historic Buildings	1
Nature Reserves	4
Parks & Open Land	10
Picnic Sites / Amenity Areas	17
Play Areas	46
Playing Fields	22
Pond / Lake	2
Woodland	23
<b>Heritage Assets</b>	
Artefacts	10
Historic Buildings	10
Memorials	31
<b>Assets under Construction</b>	
Primary Schools	4
Miscellaneous Property	1
<b>Surplus Assets</b>	
Former Education Assets	5
Other Land	7
Other Buildings	20
<b>Investment Property</b>	
Caravan Park	1
Cinema	1
Offices	1
Public House / Hotel	2
Shops	2
<b>Assets Held for Sale</b>	
Former HRA Assets	0
Non HRA Assets	0

## **4.2 Other Long Term Assets, Current Assets and Current Liabilities**

An increase in Bad debt provisions of £61k has been made in the year resulting in a total provision of £5.4m made against debtors valued at £27.6m.

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

### **4.2.1 Implications and Risks**

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

## **4.3 Pensions Liability**

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

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

The scheme is subject to statutory triennial actuarial valuations to ensure that the fund can meet future obligations, the last valuation having taken place in 2013. The Dyfed Fund has seen a reduction in its net deficit. A pension liability of £106.0m was recorded at 31 March 2016 (compared to £109.4m at 31 March 2015). The share of the pension liability relating to Pembrokeshire County Council, was £105.95m at 31 March 2016, 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.

### **4.3.2 Implications and Risks**

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

The “staging” date for auto-enrolment of staff in the Scheme has been transitionally postponed, as allowed under the regulations, until 2017.

The major risks facing the Council relate to:

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

### **4.3.3 Teachers Pension Scheme**

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

### **4.3.4 Implications and Risks**

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

The major risk facing the Council relates to:

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

#### 4.4 Long Term Borrowing & Financing Costs

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

The Council borrowed £80.7m for the HRA Subsidy exit settlement. A key issue for 2016-17 will be if and when and by how much interest rates increase; if judged prudent and in accordance with the Policy on Borrowing in Advance of Need, opportunities will be taken to secure low cost borrowing before rates increase.

##### 4.4.1 Implications and Risks

###### Prudential Indicators

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

	Actual 2014-15	Estimate 2015-16	Revised Estimate 2015-16	Actual 2015-16	Estimate 2016-17
<b>Ratio Of Financing Costs To Net Revenue Stream</b>	%	%	%	%	%
Gross					
- Council Fund	6.1	6.0	5.7	4.8	4.8
- HRA*	1.7	33.0	29.3	27.8	26.4
<b>Capital Financing Requirement</b>	£m	£m	£m	£m	£m
Council Fund	128.0	132.4	131.5	127.2	134.8
HRA*	4.0	95.4	82.9	82.1	83.3
<b>Total</b>	<b>132.0</b>	<b>227.8</b>	<b>214.4</b>	<b>209.3</b>	<b>218.1</b>
<b>Net Movement</b>	<b>2.0</b>	<b>93.2</b>	<b>82.4</b>	<b>77.3</b>	<b>3.7</b>
<b>External Debt at 1 April</b>	£m	£m	£m	£m	£m
External Borrowing	119.6	123.0	119.0	119.0	198.2
Other Long Term Liabilities	7.9	7.6	7.6	7.6	7.4
<b>Repaid in Year</b>					
External Borrowing	(1.5)	(1.6)	(1.5)	(1.5)	(1.5)
Other Long Term Liabilities	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)
<b>New Borrowing in Year</b>					
External Borrowing*	1.0	99.0	80.7	80.7	4.0
Other Long Term Liabilities	-	-	-	-	-
<b>Gross External Debt at 31 March</b>	<b>126.7</b>	<b>227.7</b>	<b>205.6</b>	<b>205.6</b>	<b>207.9</b>
* Includes HRA subsidy system exit settlement of £80.7m which took effect 2 April 2015					

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

## Treasury Management Strategies, Indicators and Limits

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

In 2015-16 the Council continued to operate under a low risk investment strategy. The low level of general economic activity and measures taken to counter the recession resulted in a continuation of reduced interest receipts on investments. As in previous years, the Council has received in full or expects to receive in full on the due dates repayment of all deposits placed with its counterparties together with the interest due.

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

<b>Interest Rate Indicators</b>	<b>Original Estimate 2015-16</b>	<b>Revised Estimate 2015-16</b>	<b>Actual 2015-16</b>	<b>Estimate 2016-17</b>
	%	%	%	%
Average Rate of Borrowing (including long term liabilities)	5.16	5.43	5.44	5.39
Average Rate of New Borrowing	4.60	4.17	4.17	3.50
Average Investment Return	0.75	0.70	0.75	0.85
<b>Treasury Management Limits</b>				
<b>Interest Rate Exposure Net Outstanding Principal</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Upper Limit On Fixed Interest Rate Exposure	230	230	143	220
Upper Limit On Variable Interest Rate Exposure	(90)	(90)	(33)	(80)
<b>Borrowing Limits *</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Authorised Limit	290	250	250	260
Operational Boundary	284	244	244	254
<b>Limits On Debt Maturity**</b>	<b>2015-16</b>		<b>2016-17</b>	
	<b>Upper</b>	<b>Lower</b>	<b>Upper</b>	<b>Lower</b>
	%	%	%	%
Under 12 months	40	-	40	-
12 months to 2 years	35	-	35	-
2 to 5 years	35	-	35	-
5 to 10 years	35	-	35	-
10 years and above	90	25	90	25

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

\*\* An analysis of the debt maturity profile as at 31 March 2016 is shown on page 107.



## **Debt Repayment (MRP)**

The minimum revenue provision (MRP) is the amount that must be set aside from revenue each year to repay external debt. A revised MRP policy for 2015-16 was approved by Council on 10 March 2016, which changed the MRP repayments provision from a 4% reducing balance to a 2% straight line method as detailed below:

### **General Fund Debt :**

- Generally for supported debt (i.e. supported by Aggregate External Finance (AEF) and Council Tax), MRP of 2% on a fixed, straight line basis, calculated by reference to the General Fund Capital Finance Requirement (Long Term Debt) adjusted by regulation as at 1 April each year.
- Generally for unsupported debt (i.e. supported by Council Tax only), an amount calculated by dividing the outstanding debt by the remaining useful life of the asset and to which additional amounts may be added, effective from 1 April each year, if deemed appropriate.
- Any other basis considered prudent in respect of a particular project or asset having regard to the guidance issued by the Welsh Government and the Code of Practice on Local Authority Accounting 2015-16.

### **Housing Revenue Account (HRA) Debt:**

- MRP 2% provision on a reducing balance basis, based on the HRA Capital Finance Requirement adjusted by regulation as at 1 April each year.
- Any other basis considered prudent in respect of a particular project or asset having regard to the guidance issued by the Welsh Government and the Code of Practice on Local Authority Accounting 2015-16.
- No MRP shall be made for monies deposited under the Pembrokeshire Local Authority Mortgage Scheme on the basis that any deposits made are 100% refundable.

## **4.5 Usable Reserves and Balances**

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

### **4.5.1 General Fund & Housing Revenue Account Working Balances**

Working balances (General Fund (increased to £7.0m) during 2015-16 and Housing Revenue Account £0.75m) are maintained to meet day to day operational eventualities.

### **4.5.2 Earmarked Reserves**

As well as the statutory reserves required by the Code of Practice on Local Authority Accounting 2015/16, the Council maintains the reserves as detailed below as part of the General Fund.

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

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

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

## **Capital Investment**

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

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

## **Risk Management**

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

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

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

## **Asset Renewal & Repair**

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

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

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

Cleddau Bridge - The reserve is maintained to meet the cost of the major upgrading and overhaul to the bridge and its associated structures. Further details are reported on page 61.

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

## **Equalisation Reserves**

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

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

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

## **Transformation Reserves**

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

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

## **Service Delivery**

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

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

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

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

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

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

### **External Reserves**

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

Joint Arrangements - The reserve is required under financial reporting arrangements for Public Benefit Entities and represents amounts committed to fund joint working arrangements. Further details are set out on pages 71-73.

## **4.5.3 School Reserves and Balances**

### **Working Balances**

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

### **Other**

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

The reserve transactions are summarised below:

<b>EARMARKED RESERVES</b>	<b>Opening Balance 31 March 2015</b>	<b>Transfer</b>	<b>Amended Opening Balance 1 April 2015</b>	<b>Net In Year Movement</b>	<b>Balance 31 March 2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>CAPITAL RESERVES</b>					
Council Fund	(3,506)	-	(3,506)	(2,096)	<b>(5,602)</b>
HRA	(6,243)	-	(6,243)	(322)	<b>(6,565)</b>
21st Century Schools (Capital)	(21,423)	-	(21,423)	(645)	<b>(22,068)</b>
<b>TOTAL CAPITAL RESERVES</b>	<b>(31,172)</b>	<b>-</b>	<b>(31,172)</b>	<b>(3,063)</b>	<b>(34,235)</b>
<b>OTHER EARMARKED RESERVES:</b>					
Risk Management	(5,827)	-	(5,827)	(37)	<b>(5,864)</b>
Asset Renewal & Repair	(11,420)	1,650	(9,770)	953	<b>(8,817)</b>
Equalisation	(3,647)	672	(2,975)	28	<b>(2,947)</b>
Transformation	(3,680)	(3,418)	(7,098)	(1,603)	<b>(8,701)</b>
Service Delivery	(3,962)	1,573	(2,389)	80	<b>(2,309)</b>
External	(322)	-	(322)	48	<b>(274)</b>
<b>SUBTOTAL</b>	<b>(28,858)</b>	<b>477</b>	<b>(28,381)</b>	<b>(531)</b>	<b>(28,912)</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>(60,030)</b>	<b>477</b>	<b>(59,553)</b>	<b>(3,594)</b>	<b>(63,147)</b>
Schools ISB Balances	(2,205)		(2,205)	(7)	<b>(2,212)</b>
Other School Related (including PFI)	(3,809)	(16)	(3,825)	7	<b>(3,818)</b>
<b>TOTAL SCHOOLS &amp; RELATED RESERVES</b>	<b>(6,014)</b>	<b>(16)</b>	<b>(6,030)</b>	<b>-</b>	<b>(6,030)</b>

Detailed reserve transactions are set out on page 56.

#### 4.5.4 Implications and Risks

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

The ability of the Council to fund the 21st Century Schools programme and other capital improvements may necessitate a re-evaluation of the position in future years.

#### 4.6 Provisions

The Council undertakes a significant level of self insurance and maintains a provision to meet the cost of identified claims. For 2015-16, the provision has been calculated at £1,293k.

The Council has a provision to meet the cost of outstanding equal pay claims. For 2015-16 the provision has been calculated at £60k.

Details of provision transactions are set out on page 99-100.

#### **4.6.1 Implications and Risks**

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

It is judged that adequate provision has been made to meet the cost of any outstanding equal pay claims arising from the pay and grading review.

#### **4.7 Contingent Assets and Liabilities**

The material contingent assets and liabilities for which no provision has been made in the accounts identified at 31 March 2016 are detailed on page 99-100.

#### **4.8 Potential Future Assets and Liabilities**

Under the Landfill Allowances Scheme (Wales) Regulations 2004, the Council is required to meet annual targets in respect of the amount of waste sent to landfill. Failure to meet these targets may result in financial penalties. The Council met its target for 2015-16.

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

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

### **5. SIGNIFICANT INTERESTS**

#### **5.1 Members of the Council**

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

#### **5.2 Officers**

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

### **6. PAYMENTS TO AUDITORS**

£116k was paid to the Wales Audit Office (WAO) in 2015-16 for statutory inspections and the LG Measure. Additional payments to the Wales Audit Office for 2015-16 are outlined on page 70.

### **7. SICKNESS ABSENCE**

The average sickness absence rate for 2015-16 was 4.8% or 10.3 days per employee.

### **8. POST BALANCE SHEET EVENTS**

The following event was judged as material to the Council's financial position at 31 March 2016, and occurred after the financial year end but before the initial reporting date of 06 June 2016.

Council decided on 12 May 2016 not to proceed with the proposed reorganisation of two secondary schools in Haverfordwest, part of its 21<sup>st</sup> Century Schools capital programme. Some costs have been incurred which potentially will no longer be eligible under the programme dependant on Council's final decision over future proposals for the reorganisation of the two secondary schools in Haverfordwest.

Any events taking place between the 31 May 2016 and the 27 July 2016, the date the audited Statement of Accounts being authorised for issue by the Chief Finance Officer, will be reported to and approved by the Corporate Governance Committee. As at 27 July 2016 there are no such events.

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

I have audited the accounting statements and related notes of Pembrokeshire County Council for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

Pembrokeshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-2016 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 23, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

### **Scope of the audit of the accounting statements**

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

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

### **Opinion on the accounting statements of Pembrokeshire County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Pembrokeshire County Council as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-2016.

### **Opinion on other matters**

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

### **Matters on which I report by exception**

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

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

**Certificate of completion of audit**

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

A handwritten signature in black ink, appearing to read 'ASR H'.

**For and on behalf of**

**Huw Vaughan Thomas**

**Auditor General for Wales**

**Wales Audit Office**

**24 Cathedral Road**

**Cardiff CF11 9LJ**

**August 2016**

## STATEMENT OF ACCOUNTS

### 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 Chief Finance Officer.
- 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 Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer 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 Chief Finance Officer 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 CHIEF FINANCE OFFICER

The Statement of Accounts of the Pembrokeshire County Council for the year ended 31 March 2016 is contained on pages 24-116, and is produced in accordance with the requirements of the Local Government Accounts and Audit (Wales) Regulations 2014. The Regulations prescribe the contents of the Statement of Accounts and it is upon the contents only that the Audit opinion is expressed.

I certify the accounts present a true and fair view of the financial position of Pembrokeshire County Council as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016 and append my signature to the Statement in accordance with Regulation 10(1).



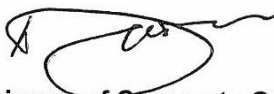
**J HASWELL FCCA**

**Chief Finance Officer**

**Date: 27/07/2016**

#### REPORTING AND APPROVAL

These accounts, initially published on 06 June 2016, will be reported to Corporate Governance Committee for approval following the conclusion of the Annual Audit on 27 July 2016. The audit certificate is shown on pages 21-22.



**Chairman of Corporate Governance Committee**

**Date: 27/07/2016**



## 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 in the following pages.

### 1. FINANCIAL REPORTING STANDARDS

The International Financial Reporting and Other Standards that have been issued have been applied as required by the Code of Practice on Local Authority Accounting.

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced in the 2016/17 Code that are relevant are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
  - IFRS 2 Share-based Payment – definition of vesting condition
  - IFRS 3 Business Combinations – accounting for contingent consideration in a business combination
  - IFRS 8 Operating Segments – aggregation of operating segments
  - IFRS 8 Operating Segments – reconciliation of the total reportable segments' assets to the entity's assets
  - IFRS 13 Fair Value Measurement – short-term receivables and payables.
  - IAS 16 Property, Plant and Equipment – revaluation method (proportionate restatement of accumulated depreciation)
  - IAS 24 Related Party Disclosures – key management personnel
  - IAS 38 Intangible assets - revaluation method (proportionate restatement of accumulated amortisation).
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal.
  - IFRS 7 Financial Instruments: Disclosures - servicing contracts.
  - IFRS 7 Financial Instruments: Disclosures – applicability of the amendments to IFRS 7 to condensed interim Financial Statements.
  - IAS 19 Employee Benefits – discount rate: regional market issue.
  - IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'.
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

The impact of the above changes is unlikely to be material but will result in some presentational changes and these will be disclosed in the 2016-17 Financial Statements.

In 2016-17 there will be a change in accounting policy for the Highway Network Asset which will require the asset to be valued at depreciated replacement cost as opposed to historic cost. The requirements to restate opening balances for the asset as at 1 April 2015 and preceding year information in the 2016-17 Financial Statements have now been removed under an exceptional adaptation to IAS1 Presentation of Financial Statements. The change will result in the Highway Network Asset value looking significantly different in the Balance Sheet.

The Statement of Accounts set out on pages 24-116 have been prepared in compliance with the 2015-16 Code of Practice on Local Authority Accounting.

## **2. 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

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ESTIMATION RISK

In applying the accounting policies set below on pages 28-45 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 Programme and the requirement to find match funding of £75m in the period 2013-14 to 2018-19 remains a key issue.

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

<b>Issues appertaining to items in the current set of accounts:</b>		
<b>Item</b>	<b>Risk</b>	<b>Potential Affect</b>
Non-Current Assets Property, Plant & Equip	Useful life  Exclusion of Voluntary Controlled and Voluntary Aided Schools from Balance Sheet value	Incorrect depreciation charge  Potential understatement of value by £12m.
Financial Instruments	Incorrect assumptions	Under/overcharge in the accounts
Contractual Obligations	Incorrect quantification and legal challenge	Additional charge to taxpayer at future date
Provisions	Quantification incorrect	Additional charge to taxpayer at future date
Pension Liability	Actuarial assumptions incorrect	Increased Employer Contributions at future date/ additional charge to taxpayer at future date

<b>Issues potentially impacting the accounts in the future:</b>		
<b>Item</b>	<b>Risk</b>	<b>Potential Affect</b>
National Living / Minimum Wage	Assumption incorrect	Increased service & contractual costs
Welfare Reform Bill	Assumptions incorrect	Increased service costs
21 <sup>st</sup> Century Schools	Incorrect cost assumptions  Interest rate increases above LGBI rates	Increased contractual costs  Increased debt charge resulting in additional charge to taxpayer
Demographic changes	Assumptions incorrect	Increased service & contractual costs
Housing Rent restructure	Business plan assumptions incorrect	Additional charge to tenants at future date
Grant Funding / BREXIT	Loss of grant from Welsh Government & Europe	Reduction in service provision
Governance	Decision not made or not made in timely manner	Budget over / under spends & loss of grant funding
Transformation / Alternative Service Delivery	Changed ways of working do not deliver assumed financial savings	Budget over / under spend  Separate accounting arrangements
Welsh Language Standards	Assumption incorrect	Increased service & contractual costs
Wellbeing of Future Generations Act	Act not considered in decision making	Cost of corrective action

#### **4. 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 2015-16 Code of Practice on Local Authority Accounting.

##### **4.1 General**

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.

##### **4.2 Going Concern, Exceptional, Extraordinary Items, Prior Year Adjustments & Events After the Reporting Period**

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.

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.

## 4.3 Non-Current Assets

### 4.3.1 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.

### 4.3.2 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.

### 4.3.3 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.

#### 4.3.4 Subsequent Valuation

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

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

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

The assets shall be valued by the Council's appointed valuer who shall be suitably qualified.

#### 4.3.5 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.

#### 4.3.6 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.

#### 4.3.7 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.

#### 4.3.8 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.

#### 4.3.9 De Minimis Expenditure

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



#### **4.4 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.

#### **4.5 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.

#### **4.6 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.

#### **4.7 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.

## **4.8 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.

## **4.9 Leases and Lease-Type Arrangements**

### 4.9.1 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.

### 4.9.2 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 4.3.

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.

#### 4.9.3 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.

#### 4.9.4 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.

#### 4.9.5 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.

### **4.10 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 4.3 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.

## **4.11 Financial Liabilities**

### **4.11.1 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 4.12.

### **4.11.2 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.

## **4.12 Soft Loans**

### **4.12.1 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.

### **4.12.2 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.

## **4.13 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.

## **4.14 Working Balances and Reserves**

### 4.14.1 Classification

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

### 4.14.2 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.

### 4.14.3 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.

#### 4.14.4 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.

#### **4.15 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.

#### **4.16 Investments**

##### 4.16.1 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.

##### 4.16.2 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.

#### **4.17 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.

#### **4.18 Income & Expenditure**

##### 4.18.1 Employee Costs & Benefits

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.

Pension costs – see policy 4.21.3 below.

##### 4.18.2 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.

##### 4.18.3 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.

##### 4.18.4 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.

##### 4.18.5 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.

## **4.19 Government Grants And Other Contributions**

### 4.19.1 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.

### 4.19.2 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.

### 4.19.3 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.

#### 4.19.4 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.

### **4.20 Interest Payable & Receivable**

#### 4.20.1 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 4.5.

Any effective interest rate adjustment made in respect of market loans (see accounting policy 4.12) 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

#### 4.20.2 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 regulations
- Schools Delegated Fund balances in accordance with the Council's Scheme for the Local Management of Schools
- Earmarked reserves if it is deemed appropriate.

### **4.21 Employee Benefits**

#### 4.21.1 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.

#### 4.21.2 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.

#### 4.21.3 Pension Costs

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.

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.

**4.22 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.

**4.23 Debtors, Bad Debt Impairment & Creditors**

4.23.1 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.

4.23.2 Impairment of Debts

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

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

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

### 4.23.3 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.

### **4.24 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.

### **4.25 VAT**

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

### **4.26 Financial Loan Guarantee Contracts**

#### 4.26.1 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.

#### 4.26.2 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.

### **4.27 Contingent Assets and Liabilities**

#### 4.27.1 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.

#### 4.27.2 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.

#### **4.28 Landfill Allowance Scheme Wales and Carbon Reduction Scheme**

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

#### **4.29 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.

#### **4.30 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.

#### **4.31 Research & Development**

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

#### **4.32 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.

#### **4.33 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.

#### **4.34 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.

#### **4.35 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.

#### **4.36 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).

## **CORE FINANCIAL STATEMENTS – COMPONENTS AND DETAIL**

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

- 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 Comprehensive Income and Expenditure Statement - showing the accounting cost in the year of providing services measured on an 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 Movement in Reserves Statement on page 47.
- The Balance Sheet - which sets out the financial position on 31 March in terms of the value of assets and liabilities recognised by the Council and the reserves held by the Council
- The Cash Flow Statement - which summarises the inflows and outflows of cash and cash equivalents with third parties arising from revenue and capital transactions.

### **Supporting Notes and Supplementary Financial Statements**

These comprise of:

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

### **Group Accounts**

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

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

Further details on the Councils joint arrangements are set out on pages 71-73

## 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 on the following page. 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 2015-2016	General Fund Working Balance £000	Earm'd General Fund Reserves £000	HRA Working Balance £000	Earm'd HRA Reserves £000	Capital Receipts & Grants Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance 1 April 2015	(6,539)	(59,801)	(752)	(6,243)	(4,621)	(77,956)	(557,487)	(635,443)
In Year Opening Balance Adjustments *	(461)	461	-	-	-	-	(99)	(99)
<b>Restated Balance</b>	<b>(7,000)</b>	<b>(59,340)</b>	<b>(752)</b>	<b>(6,243)</b>	<b>(4,621)</b>	<b>(77,956)</b>	<b>(557,586)</b>	<b>(635,542)</b>
(Surplus) / Deficit On Provision of Services	39,338	-	145,120	-	-	184,458	-	184,458
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	23,196	23,196
<b>Total Comprehensive Income &amp; Expenditure (see page 50)</b>	<b>39,338</b>	<b>-</b>	<b>145,120</b>	<b>-</b>	<b>-</b>	<b>184,458</b>	<b>23,196</b>	<b>207,654</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see page 54)	(42,656)	-	(145,520)	-	(52)	(188,228)	188,228	-
<b>Net (Increase) &amp; Decrease Before Transfers (To) / From Reserves</b>	<b>(3,318)</b>	<b>-</b>	<b>(400)</b>	<b>-</b>	<b>(52)</b>	<b>(3,770)</b>	<b>211,424</b>	<b>207,654</b>
Transfers (To)/ From Reserves	3,318	(3,272)	400	(322)	-	124	(124)	-
(Increase) / Decrease In Year	-	(3,272)	-	(322)	(52)	(3,646)	211,300	207,654
<b>Balance 31 March 2016 (see pages 56 &amp; 57)</b>	<b>(7,000)</b>	<b>(62,612)</b>	<b>(752)</b>	<b>(6,565)</b>	<b>(4,673)</b>	<b>(81,602)</b>	<b>(346,286)</b>	<b>(427,888)</b>

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



<b>Prior Year Comparative 2014-2015</b>	<b>General Fund Working Balance</b>	<b>Earm'd General Fund Reserves *</b>	<b>HRA Working Balance</b>	<b>Earm'd HRA Reserves *</b>	<b>Capital Receipts &amp; Grants Reserves</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
<b>* Restated</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance 1 April 2014</b>	<b>(6,539)</b>	<b>(56,410)</b>	<b>(752)</b>	<b>(5,910)</b>	<b>(5,291)</b>	<b>(74,902)</b>	<b>(651,891)</b>	<b>(726,793)</b>
<b>Prior Year Adjustments GCA Valuations &amp; Tenby Pool</b>	-	-	-	-	-	-	19,445	19,445
<b>Restated Balance 1 April 2014</b>	<b>(6,539)</b>	<b>(56,410)</b>	<b>(752)</b>	<b>(5,910)</b>	<b>(5,291)</b>	<b>(74,902)</b>	<b>(632,446)</b>	<b>(707,348)</b>
(Surplus) / Deficit On Provision of Services	16,861	-	4,072	-	-	20,933	-	20,933
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	50,972	50,972
<b>Total Comprehensive Income &amp; Expenditure (see page 50)</b>	<b>16,861</b>	<b>-</b>	<b>4,072</b>	<b>-</b>	<b>-</b>	<b>20,933</b>	<b>50,972</b>	<b>71,905</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see page 55)	(20,333)	-	(4,384)	-	670	(24,047)	24,047	-
<b>Net (Increase) &amp; Decrease Before Transfers (To) / From Reserves</b>	<b>(3,472)</b>	<b>-</b>	<b>(312)</b>	<b>-</b>	<b>670</b>	<b>(3,114)</b>	<b>75,019</b>	<b>71,905</b>
Transfers (To)/ From Reserves *	3,472	(3,391)	312	(333)	-	60	(60)	-
(Increase) / Decrease In Year	-	(3,391)	-	(333)	670	(3,054)	74,959	71,905
<b>Balance 31 March 2015 (see pages 56 &amp; 57)</b>	<b>(6,539)</b>	<b>(59,801)</b>	<b>(752)</b>	<b>(6,243)</b>	<b>(4,621)</b>	<b>(77,956)</b>	<b>(557,487)</b>	<b>(635,443)</b>

\* Restatement reflects adjustment between General Fund & HRA Reserves to agree to Reserve balances as reported in note 2.1

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

- **Surplus/Deficit on Continuing Operations** – analyses by service groupings, the day to day income and expenditure on such items as employee remuneration, running costs of services, capital charges, service specific grants, rents, fees and charges.

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

- the gross cost of insurance claims and an equivalent income amount met from internal or external insurance provisions.
- receipts under £10,000 arising from the sale of assets. A sum of £25,000 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 £834,000 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
- **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.
- **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.
- **Other Comprehensive Income & Expenditure** – shows the surplus or deficit arising from the revaluation of fixed and financial assets and remeasurement of pension assets and liabilities.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Note	2014-15			2015-16		
	Pg Ref	Gross Total Cost	Income	Net Total Cost/ Expend	Gross Total Cost	Income	Net Total Cost/ Expend
		£000	£000	£000	£000	£000	£000
Education & Children's Services *		141,766	(28,940)	112,826	166,703	(28,259)	138,444
Adult Social Care		63,769	(19,124)	44,645	66,227	(20,280)	45,947
Local Authority Housing Services *		27,798	(20,106)	7,692	84,907	(21,046)	63,861
HRA Subsidy Exit Settlement **		-	-	-	80,733	-	80,733
Other Housing Services		40,698	(38,556)	2,142	38,399	(37,545)	854
Highways, Roads & Transport Services		22,278	(9,862)	12,416	22,203	(10,071)	12,132
Cultural & Related Services		16,533	(4,630)	11,903	14,775	(4,662)	10,113
Environmental & Regulatory Services		22,070	(7,755)	14,315	21,253	(7,561)	13,692
Planning Services		16,517	(6,562)	9,955	11,795	(4,666)	7,129
Central Services To the Public		11,582	(1,997)	9,585	11,533	(1,924)	9,609
Corporate & Democratic Core		5,997	(1,004)	4,993	5,552	(1,490)	4,062
Non Distributed Costs		1,077	(569)	508	1,442	(670)	772
<b>(Surplus)/Deficit on Continuing Operations</b>		<b>370,085</b>	<b>(139,105)</b>	<b>230,980</b>	<b>525,522</b>	<b>(138,174)</b>	<b>387,348</b>
<b>Other Operating Expenditure</b>							
Precepts & Levies	60			19,545			19,201
Gains & Losses on Disposal of Non-Current Assets				151			(949)
<b>Financing &amp; Investment Income and Expenditure</b>							
Interest Payable				8,011			11,288
Interest & Investment Income				(666)			(724)
Net Pensions Interest	63			2,807			3,414
Investment Property				231			47
<b>Taxation &amp; Non-Specific Grant Income</b>							
Revenue Support Grant (inc Special Grant)	58			(127,874)			(124,377)
NNDR Pool Share	58			(38,842)			(35,668)
Local Taxpayers	58			(54,619)			(55,847)
Other Non-Specific Grants	59			(1,255)			(1,270)
General Capital Grants & Contributions	59			(17,536)			(18,005)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>20,933</b>			<b>184,458</b>
<b>Other Comprehensive Income &amp; Expenditure</b>							
(Surplus)/Deficit on revaluation of non-current assets	104			14,329			36,049
Remeasurements of Pensions Liabilities & Assets	108			36,643			(12,853)
<b>Total Other Comprehensive Income &amp; Expenditure</b>				<b>50,972</b>			<b>23,196</b>
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>				<b>71,905</b>			<b>207,654</b>

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

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

## 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.

\*see note on page 50

BALANCE SHEET AS AT 31 MARCH	Page Ref	2014-15		2015-16	
		£000	£000	£000	£000
<b>NON-CURRENT ASSETS:</b>					
<b>Property, Plant &amp; Equipment</b>	<b>79-82</b>				
Council Housing Property		279,893		205,910	
Other Land & Buildings		378,658		308,000	
Infrastructure		115,042		117,900	
Vehicles/Plant/Equipment		9,162		8,749	
Heritage Assets	83	1,985		1,451	
Community Assets		1,398		1,425	
Assets Under Construction		5,169		12,915	
Surplus Assets		6,208		4,586	
<b>Fixed Assets *</b>			<b>797,515</b>		<b>660,936</b>
Investment Property	83		2,246		965
Intangible Assets	84		49		42
Long Term Investments	95		1,000		1,000
Long Term Debtors	96		1,847		2,171
<b>TOTAL LONG TERM ASSETS</b>			<b>802,657</b>		<b>665,114</b>
<b>CURRENT ASSETS:</b>					
Short Term Investments	95	80,363		85,532	
Inventories & Works in Progress	94	1,190		1,137	
Short-term Debtors and Prepayments	96	25,553		22,167	
Cash & Cash Equivalents	98	5,160		4,587	
Assets Held For Sale	98	-		-	
<b>Total Current Assets</b>			<b>112,266</b>		<b>113,423</b>
<b>TOTAL ASSETS</b>			<b>914,923</b>		<b>778,537</b>
<b>CURRENT LIABILITIES:</b>					
Cash Overdrawn	98	-		-	
Other Short-term Borrowing	97	(2,556)		(2,778)	
Short-term Creditors	97	(27,764)		(24,400)	
Revenue Grants Receipts in Advance	97-98	(1,422)		(1,081)	
Capital Grants Receipts in Advance	97-98	(9,521)		(8,784)	
Provisions	99	(1,772)		(1,353)	
<b>Total Current Liabilities</b>			<b>(43,035)</b>		<b>(38,396)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>871,888</b>		<b>740,141</b>
Long Term Borrowing	101	(118,144)		(197,412)	
Deferred Liabilities	102	(8,887)		(8,889)	
Net Pension Fund Liability	108	(109,414)		(105,952)	
<b>TOTAL LONG TERM LIABILITIES</b>			<b>(236,445)</b>		<b>(312,253)</b>
<b>NET ASSETS</b>			<b>635,443</b>		<b>427,888</b>
Usable Reserves					
- General Fund Working Balance	56		(6,539)		(7,000)
- HRA Working balance	56		(752)		(752)
- Earmarked Reserves and Capital Receipts	56-57		(70,665)		(73,850)
Unusable Reserves	102		(557,487)		(346,286)
<b>TOTAL RESERVES</b>			<b>(635,443)</b>		<b>(427,888)</b>

## 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
	2015 £000	2016 £000	
Cash At Bank/(Overdrawn)	-	-	-
Cash Equivalent	3,478	2,714	764
Cash At Bank / In Hand	1,682	1,873	(191)
	<b>5,160</b>	<b>4,587</b>	<b>573</b>

The cash flows for operating activities include the following items:	2014-15 £000	2015-16 £000
Interest Paid	7,990	10,963
Interest Received	(679)	(739)

CASH FLOW STATEMENT	2014-15		2015-16	
	£000	£000	£000	£000
<b>Reconciliation of Comprehensive Income and Expenditure Statement to Net Revenue Cash Flow</b>				
<b>Net (Surplus)/Deficit on the provision of services</b>		<b>20,933</b>		<b>184,458</b>
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>				
Prior Year Adjustment DRC	(736)		-	
Depreciation	(29,937)		(29,312)	
Impairment & downward valuations	(15,819)		(99,596)	
Movement in market value of investment properties	(343)		(142)	
Pension fund adjustments	(4,860)		(9,431)	
Other non cash financial instrument adjustments	(55)		(48)	
Contributions to provisions	669		419	
Carrying amount of non-current assets sold	(2,459)		(3,767)	
Other non cash movement	(42)		2	
Movements in revenue debtors, creditors, stocks etc.	(3,512)	<b>(57,094)</b>	(2,626)	<b>(144,501)</b>
<b>Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>				
Proceeds from sale of property, plant and equipment, investment property and intangible assets	2,353		4,812	
Capital Grants	17,536		18,005	
Premium paid on redemption of debt	-	<b>19,889</b>	-	<b>22,817</b>
<b>Net Cash Flow from Operating Activities</b>		<b>(16,272)</b>		<b>62,774</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant & equipment, investment property & intangible assets	30,679		32,650	
Purchase of short term & long term investments	269,390		291,450	
Other payments for investing activities	-		-	
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(2,353)		(4,812)	
Proceeds from short term & long term investments	(270,071)		(286,316)	
Capital grants received	(16,150)		(16,276)	
Other capital cash receipts	-		-	
<b>Net Cash Flow From Investing Activities</b>		<b>11,495</b>		<b>16,696</b>
<b>FINANCING ACTIVITIES</b>				
Cash receipts of short-term & long-term borrowing	(1,000)		(80,733)	
Other receipts from financing activities	-		-	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	277		266	
Repayments of short-term & long-term borrowing	1,513		1,570	
Other payments for financing activities	-		-	
<b>Net cash flow from financing activities</b>		<b>790</b>		<b>(78,897)</b>
<b>NET (INCREASE)/DECREASE IN CASH &amp; CASH EQUIVALENTS</b>		<b>(3,987)</b>		<b>573</b>
Cash & cash equivalents at the beginning of reporting period	1,173		5,160	
Cash & cash equivalents at the end of reporting period	5,160		4,587	
<b>INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>		<b>3,987</b>		<b>(573)</b>

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### 1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND REGULATORY FUNDING BASIS

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

<b>Actuals 2014-2015</b>	<b>General Fund Working Balance</b>	<b>HRA Working Balance</b>	<b>Capital Receipts &amp; Grants Reserves</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts included in Total Comprehensive Income and Expenditure required by regulation to be excluded to arrive at the funding position</b>					
Prior Year Adjustment DRC Valuations	(736)		-	(736)	736
Depreciation	(24,820)	(5,117)	-	(29,937)	29,937
Impairment / Revaluation	(10,562)	(5,257)	-	(15,819)	15,819
Capital Grants Treated As Income	13,576	3,960	-	17,536	(17,536)
Revenue Expenditure Funded From Capital Under Statute	(1)	-	-	(1)	1
Movement in Market Value of Investment Properties	(343)	-	-	(343)	343
Disposal of Non-Current Assets	(94)	17	(2,423)	(2,500)	2,500
Use of Capital Receipts, Grants & Contributions to finance Capital Expenditure	-	-	2,984	2,984	(2,984)
Use of Capital Receipts set aside as reserved receipts	-	-	243	243	(243)
Transfer from Deferred Capital Receipts on receipt of cash	-	-	(134)	(134)	134
Capital Grants & Contributions Unapplied	-	-	-	-	-
Financing Cost Adjustment (EIR adjustment)	(55)	-	-	(55)	55
Pension Cost Adjustment	(15,054)	(612)	-	(15,666)	15,666
Employee Benefits – Leave Accrual	(88)	-	-	(88)	88
<b>Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position</b>					
Minimum Revenue Provision	4,636	84	-	4,720	(4,720)
Statutory Repayment of Debt (Finance Lease Liabilities)	94	-	-	94	(94)
Statutory Repayment of Debt (PFI)	183	-	-	183	(183)
Capital Expenditure Charged To Council Fund (inc PFI Lifecycle)	2,437	2,150	-	4,587	(4,587)
Amortisation of net premium/discounts in relation to financial instruments	79	-	-	79	(79)
Employers contributions to pension schemes	10,415	391	-	10,806	(10,806)
<b>Net Adjustment Required</b>	<b>(20,333)</b>	<b>(4,384)</b>	<b>670</b>	<b>(24,047)</b>	<b>24,047</b>



## 2. USABLE RESERVES

### 2.1 General Fund, HRA, Earmarked and Education Specific Reserve Transactions

	Balance 1 April 2015	Amended Opening Balance*	Contrib'n to/from Revenue Accounts	Transfer to Provision	Contrib'n to Capital Accounts	Balance 31 March 2016
	£000		£000	£000	£000	£000
<b>Working Balances</b>						
General Fund	(6,539)	(7,000)	-	-	-	(7,000)
HRA	(752)	(752)	-	-	-	(752)
<b>Total Working Balances</b>	<b>(7,291)</b>	<b>(7,752)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,752)</b>
<b>Earmarked Reserves</b>						
<b>Capital Fund</b>						
General Capital Fund	(3,506)	(3,506)	(2,758)	-	662	(5,602)
HRA Capital Fund	(6,243)	(6,243)	(3,942)	-	3,620	(6,565)
21st Century Schools	(21,423)	(21,423)	(645)	-	-	(22,068)
	<b>(31,172)</b>	<b>(31,172)</b>	<b>(7,345)</b>	<b>-</b>	<b>4,282</b>	<b>(34,235)</b>
<b>Other Earmarked Reserves</b>						
Insurance	(5,600)	(5,600)	(272)	235	-	(5,637)
Winter Maintenance	(227)	(227)	-	-	-	(227)
<b>Risk Management</b>	<b>(5,827)</b>	<b>(5,827)</b>	<b>(272)</b>	<b>235</b>	<b>-</b>	<b>(5,864)</b>
Property & Equipment	(2,436)	(2,286)	48	-	215	(2,023)
Carriageway Reconstruction	(1,041)	(1,041)	516	-	-	(525)
Vehicles & Plant	(5,184)	(4,684)	(1,500)	-	1,569	(4,615)
Cleddau Bridge	(1,304)	(1,304)	(143)	-	150	(1,297)
West Wales Crematorium	(1,455)	(455)	(313)	-	411	(357)
<b>Asset Renewal &amp; Repair</b>	<b>(11,420)</b>	<b>(9,770)</b>	<b>(1,392)</b>	<b>-</b>	<b>2,345</b>	<b>(8,817)</b>
Elections	(174)	(174)	(90)	-	-	(264)
Social Care Reorganisation	(1,817)	(1,817)	143	-	-	(1,674)
Education Reorganisation	(1,656)	(984)	(25)	-	-	(1,009)
<b>Equalisation</b>	<b>(3,647)</b>	<b>(2,975)</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>(2,947)</b>
Invest to Save	(3,144)	(4,762)	(156)	-	380	(4,538)
Service Reconfiguration	(536)	(2,336)	(1,988)	161	-	(4,163)
<b>Transformation</b>	<b>(3,680)</b>	<b>(7,098)</b>	<b>(2,144)</b>	<b>161</b>	<b>380</b>	<b>(8,701)</b>
Planning	(324)	(124)	(75)	-	-	(199)
Regeneration Fund	(1,131)	(731)	36	-	-	(695)
County Farms Compensation	(73)	(73)	9	-	-	(64)
Economic Development & Tourism	(643)	(443)	(4)	-	-	(447)
Environmental Services	(347)	(197)	48	-	-	(149)
Recycling	(1,444)	(821)	66	-	-	(755)
<b>Service Delivery</b>	<b>(3,962)</b>	<b>(2,389)</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>(2,309)</b>
Joint Arrangements	(205)	(205)	90	-	-	(115)
Local Authority Mortgage Scheme	(117)	(117)	(42)	-	-	(159)
<b>External</b>	<b>(322)</b>	<b>(322)</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>(274)</b>
<b>SUBTOTAL</b>	<b>(28,858)</b>	<b>(28,381)</b>	<b>(3,652)</b>	<b>396</b>	<b>2,725</b>	<b>(28,912)</b>
<b>Total Earmarked Reserves</b>	<b>(60,030)</b>	<b>(59,553)</b>	<b>(10,997)</b>	<b>396</b>	<b>7,007</b>	<b>(63,147)</b>
<b>Schools ISB Balances</b>	<b>(2,205)</b>	<b>(2,205)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>(2,212)</b>
School Catering SLA	(490)	(490)	-	-	102	(388)
Schools Maintenance SLA	(366)	(366)	76	-	-	(290)
PFI RSG Equalisation	(2,953)	(2,953)	67	-	-	(2,886)
PFI ICT	-	(16)	-	-	-	(16)
Schools Supply Insurance	-	-	(238)	-	-	(238)
<b>Total Education Reserves</b>	<b>(6,014)</b>	<b>(6,030)</b>	<b>(102)</b>	<b>-</b>	<b>102</b>	<b>(6,030)</b>
<b>TOTAL SCHOOLS &amp; RELATED RESERVES</b>	<b>(66,044)</b>	<b>(65,583)</b>	<b>(11,099)</b>	<b>396</b>	<b>7,109</b>	<b>(69,177)</b>

\* Amended to reflect change in reserves strategy

## 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 2015	Rec'd In Year	Set Aside Prov'n	In Year Transfers	Applied To Finance Expend	Balance at 31 March 2016
	£000	£000	£000	£000	£000	£000
<b>Capital Receipts Reserve</b>						
General Fund	(1,639)	(719)	-	(14)	938	(1,434)
21st Century Schools	(2,982)	(4,062)	-	14	3,791	(3,239)
HRA	-	(866)	866	-	-	-
<b>TOTAL</b>	<b>(4,621)</b>	<b>(5,647)</b>	<b>866</b>	<b>-</b>	<b>4,729</b>	<b>(4,673)</b>
<b>Capital Receipts &amp; Grants Reserves</b>						
General Fund	(1,639)	(719)	-	(14)	938	(1,434)
21st Century Schools	(2,982)	(4,062)	-	14	3,791	(3,239)
HRA	-	(866)	866	-	-	-
<b>TOTAL</b>	<b>(4,621)</b>	<b>(5,647)</b>	<b>866</b>	<b>-</b>	<b>4,729</b>	<b>(4,673)</b>

## NOTES TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

### 1. TAXATION AND NON-SPECIFIC GRANT INCOME

#### 1.1 Revenue Support Grant and Special Grant

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

#### 1.2 National Non-Domestic Rates (NNDR)

The unified business rate for 2015-16 was set by the Welsh Government at 48.2p in £1 compared to 47.3p in 2014-15. The following summarises the transactions for the year:

	2014-15 £000	2015-16 £000
Amount due from taxpayers allowing for prior year directions	59,410	61,389
Less: Allowances and other adjustments	(9,647)	(9,212)
<b>NNDR Pool Contribution</b>	<b>49,763</b>	<b>52,177</b>
Receipts from national pool for Year*	(38,842)	(35,668)
<b>Net Contribution (from) / to NNDR Pool</b>	<b>10,921</b>	<b>16,509</b>
<b>Total Average Rateable Value (in pounds)</b>	<b>£127,235,600</b>	<b>£127,324,937</b>
* Councils in Wales collect the amount due on behalf of the National Assembly, which in turn redistributes the pooled proceeds to the Councils on a formula basis.		

#### 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	2014-15	2015-16
Pembrokeshire County Council	£766.55	£801.04
Dyfed Powys Police Authority	£210.60	£200.07
Average Town and Community Council	£27.68	£27.90
<b>Tax Base Number of Band D Equivalent</b>		
Chargeable	54,039.47	54,548.97
Collectable	52,861.44	53,358.22

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

Tax Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band D Equiv	3,388	6,247	10,594	9,594	13,238	7,649	3,088	546	202

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

Council Tax Income	2014-15 £000	2015-16 £000
Council Tax Due In Year	(54,458)	(56,315)
Less Non- collection allowance	(161)	468
<b>Amount Due From Taxpayers Before Rebates</b>	<b>(54,619)</b>	<b>(55,847)</b>
Allocated to:		
Dyfed Powys Police Precept	(11,133)	(10,675)
Pembrokeshire County Council	(42,024)	(43,683)
Town and Community Councils Precepts	(1,462)	(1,489)
<b>Total</b>	<b>(54,619)</b>	<b>(55,847)</b>

#### 1.4 Revenue – Other Non-Specific Government Grants

The grant income reported is that notified by the Welsh Government and other funding bodies.

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

	2014-15 £000	2015-16 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Outcome Agreement Grant	(1,255)	(1,270)
<b>Total Revenue Grants Credited to Taxation and Non Specific Grant Income</b>	<b>(1,255)</b>	<b>(1,270)</b>
<b>Credited to Services</b>		
DWP Subsidy Payments and Administration Grants	(33,263)	(34,082)
Post 16 Provision	(5,496)	(5,301)
Foundation Phase, Flying Start & Families First	(7,849)	(4,063)
Education Improvement Grant	-	(5,475)
Strategic Waste Management & Other Waste Grants	(2,923)	-
Environmental & Sustainable Development	-	(2,947)
European Community grants for Local Services	(3,181)	(873)
Other Grants credited to Services	(16,091)	(14,419)
<b>Total Revenue Grants Credited to Services</b>	<b>(68,803)</b>	<b>(67,160)</b>
<b>Total Revenue Grants</b>	<b>(70,058)</b>	<b>(68,430)</b>

	2014-15 £000	2015-16 £000
Grants & Contributions Received*	(71,480)	(69,511)
Held In Advance Where Conditions Not Fulfilled	1,422	1,081
<b>Grants Credited As Income in Year</b>	<b>(70,058)</b>	<b>(68,430)</b>
*Excludes grants received re Revenue Expenditure Funded from Capital Under Statute (see Note 4)		

#### 1.5 Capital Grants & Contributions

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

	2014-15 £000	2015-16 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
General Capital Grant	(831)	(961)
21st Century Schools	(1,901)	(6,536)
Convergence	(3,014)	(1,438)
Major Repairs Allowance	(3,960)	(3,968)
Welsh Government - Transport (Local Transport Fund, Safe Routes in Communities, Local Road Safety, Bulford Road, & Southern Strategic Route)	(5,778)	(3,779)
Other Grants	(2,052)	(1,175)
Developers Contributions	-	(148)
	<b>(17,536)</b>	<b>(18,005)</b>
Applied to Finance Capital Expenditure	(17,536)	(18,005)
Transferred to Capital Grant Unapplied Reserve	-	-
	<b>(17,536)</b>	<b>(18,005)</b>

## 2. PRECEPTS AND LEVIES

	2014-15 £000	2015-16 £000
<b>Precepts</b>		
Dyfed Powys Police	11,133	10,675
Town and Community Councils	1,462	1,489
<b>Levies</b>		
West Wales Fire and Rescue	5,873	5,983
Pembrokeshire Coast National Park	1,077	1,054
<b>Totals</b>	<b>19,545</b>	<b>19,201</b>

## 3. MEMORANDUM ACCOUNTS

### 3.1 External Trading Services

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

The following types of trading service have been identified:

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

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

External Trading Services	2014-15	2015-16		
	Net Expenditure £000	Turnover £000	Expenditure £000	Net Expenditure £000
<b>Highways Roads &amp; Transport</b>				
Cleddau Bridge *	(1,151)	(3,067)	1,800	(1,267)
Car Parks (excl CPE)**	1	(1,365)	374	(991)
Civil Parking Enforcement	(44)	(418)	409	(9)
<b>Culture, Environment &amp; Planning</b>				
West Wales Crematorium	(175)	(874)	845	(29)
Markets	632	(124)	234	110
Industrial Estates	(285)	(984)	582	(402)
Training ***	147	(1,060)	1,686	626
Building Regulation Chargeable	(22)	(396)	374	(22)
<b>School SLAs</b>				
<b>Education</b>				
Maintenance & Cleaning ****	-	(1,922)	1,922	-
Support & Advice	-	(137)	137	-
Mutual Supply Scheme	-	(562)	562	-
Catering	-	(5,408)	5,408	-
Music	-	(630)	630	-

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

The statutory accounting entries and disclosures in the Statement of Accounts (SoA) for 2015-16 are the fixed asset (£21m), two external loans (£2.0m), an earmarked reserve (£1.3m) and a trading surplus (£1.3m, after the application of notional costs for depreciation, IAS pensions, soft loans effective interest rate, the application of MRP and an appropriation from reserve). In compliance with the statutory requirements of the DA, the annual trading surpluses are not transferred to the CB earmarked reserve, but accounted for in the Council's General Fund and used to support its Highways and Transportation budget.

There are accounting options available under the DA for calculating the financial position of the CB, with the Act providing for interest (compound or simple) to be charged on any accumulated deficit, but not requiring it. As part of a review of the CB tolls, in May 2016, Council determined the accumulated surplus of £11.2m (simple interest), as the accounting option to be used.

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

\*\* To ensure consistency, a review of the asset valuation method for all Car Parks has been completed. This has resulted in a net revaluation gain reflected in the service.

\*\*\* Following a review of assets valued on a Depreciated Replacement Cost (DRC) basis, the Training Centre has been valued on an Existing Use Value (EUV) resulting in a revaluation loss being charged to the service.

\*\*\*\* Cleaning SLA withdrawn with effect from 1 April 2015.

### 3.2 Agency Services

The Council performed trunk road works as sub-agent on behalf of Carmarthenshire County Council. Details of the costs incurred and reimbursements received are:

	2014-15 £000	2015-16 £000
<b>South Wales Trunk Road Agency</b>		
Highway Maintenance	1,301	1,539
Winter Maintenance	343	202
Street Lighting Maintenance	157	165
Public Conveniences	108	108
Amenity Grass Cutting	18	18
<b>Amount Reimbursed by Carmarthenshire CC / SWTRA</b>	<b>1,927</b>	<b>2,032</b>
<b>Total Cost &amp; Reimbursement</b>	<b>1,927</b>	<b>2,032</b>

### 3.3 Property Searches

	2014-15 £000	2015-16 £000
Cost of answering property queries	149	135
Income in respect of property queries	(188)	(198)
	<b>Numbers</b>	<b>Numbers</b>
Number of Requests	2,828	3,080

## 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.

	2014-15 £000	2015-16 £000
Expenditure in Year	2,265	1,747
Grant & Contributions Received in Year	(2,264)	(1,589)
<b>Net Revenue Expenditure Funded from Capital Under Statute</b>	<b>1</b>	<b>158</b>

## 5. PENSION COSTS

The Authority participates in two pension schemes:

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

A composite employer's contribution rate used in 2015-16 was calculated by the Fund's actuary based on the valuation as at 31 March 2013 for all employees of the County Council who are members of the scheme. The contribution rate will increase by 0.1% for 2016-17.

The Fund was valued as at 31 March 2013 & the results of this valuation are reflected in the 2015-16 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	2014-15		2015-16	
	£000	£000	£000	£000
Interest on Pension Liabilities	20,637		18,239	
Interest on Plan assets	(17,830)		(14,825)	
		<b>2,807</b>		<b>3,414</b>
Administration Expenses		320		324
Past Service (Gain) / Cost *		-		23
Curtailment (Gain) / Loss		73		73
Settlement (Gain) / Loss		(285)		-
Current Service Cost		12,751		16,376
		<b>15,666</b>		<b>20,210</b>
<b>Statement of Movement on the Council Fund Balance Entries</b>				
<b>Reversal IAS 19 Entries Above:</b>		(15,666)		(20,210)
<b>Actual Charges Paid In Year</b>				
Actual Amount Charged For Period	9,935		9,939	
Cost of Enhancements Charged In Year	871		840	
		10,806		10,779
		<b>(4,860)</b>		<b>(9,431)</b>
* includes (gains) / costs due to change in scheme benefits				



## The Dyfed Superannuation Scheme Pension Assets & Liabilities

### Reconciliation of Present Value of the Scheme Liabilities

	<b>Total Liabilities 2014-15 £000</b>	<b>Funded Liabilities 2015-16 £000</b>	<b>Unfunded Liabilities 2015-16 £000</b>	<b>Total Liabilities 2015-16 £000</b>
Liability as at 1 April	<b>465,868</b>	546,697	14,880	<b>561,577</b>
Movements in the year:				
Current Service Cost	<b>12,751</b>	16,284	-	<b>16,284</b>
Interest on Pension Liabilities	<b>20,637</b>	17,613	477	<b>18,090</b>
Member Contributions	<b>4,037</b>	4,029	-	<b>4,029</b>
Past Service (Gain) / Cost	-	23	-	<b>23</b>
Remeasurements (liabilities) <i>comprising of :</i>				
Experience (gain) / loss	-	-	-	-
(Gain) / Loss on financial assumptions	<b>77,668</b>	(30,836)	(485)	<b>(31,321)</b>
(Gain) / Loss on demographic assumptions	-	-	-	-
Curtailments	<b>73</b>	73	-	<b>73</b>
Settlements	<b>(3,587)</b>	-	-	-
Benefits / transfers paid	<b>(15,870)</b>	(15,028)	(841)	<b>(15,869)</b>
<b>Liability at 31 March</b>	<b>561,577</b>	<b>538,855</b>	<b>14,031</b>	<b>552,886</b>

### Reconciliation of Fair Value of the Scheme Assets

	<b>2014-15 £000</b>	<b>2015-16 £000</b>
Fair Value of Plan Assets as at 1 April	397,957	452,163
Movements in the year:		
Interest on Plan assets	17,830	14,696
Remeasurements (assets)	41,025	(18,468)
Administration Expenses	(320)	(324)
Settlements	(3,302)	-
Employer Contributions	10,806	10,707
Member Contributions	4,037	4,029
Benefits / transfers paid	(15,870)	(15,869)
<b>Fair Value of Plan Assets as at 31 March</b>	<b>452,163</b>	<b>446,934</b>

## Pension Fund Assets split by category

	31 March 2015	31 March 2016
	£000	£000
Equities	308,920	308,830
Government	47,974	42,682
Other Bonds	45,442	43,755
Property	46,482	49,789
Cash/Liquidity	1,989	895
Net Current Assets	1,356	983
<b>Total</b>	<b>452,163</b>	<b>446,934</b>

### 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 2013 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
	%	%
<b>Financial Assumptions</b>		
Rate of CPI inflation	2.0	2.0
Rate of increase in salaries	3.5	3.5
Rate of increase in pensions	2.0	2.0
Discount Rate	3.3	3.6
<b>Life Expectancy (Years)</b>		
Male future pensioner aged 65 in 20 years' time	25.5	25.7
Female future pensioner aged 65 in 20 years' time	28.1	28.2
Male current pensioner aged 65	23.3	23.4
Female current pensioner aged 65	25.8	25.9

## Notes to the Actuarial Assumptions

- The end of year figures for the market value of the assets and split of assets between investment categories have been calculated as at 31 December 2015. The corresponding split of assets at the start of the year has been calculated as at 31 March 2015.
- The actuarial assumptions used in the calculation of the year end Balance Sheet liabilities are based on the 2013 actuarial valuation assumptions, other than the financial assumptions, which are shown above.
- The above expected returns are gross of expenses. A deduction of £821k 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 3.6%.
- 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.

### Effect Over Time of Actual To Assumed Performance

Scheme History	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000
Present Value of Liabilities	(419,549)	(492,630)	(465,868)	(561,577)	(552,886)
Fair Value of Assets	326,388	369,149	397,957	452,163	446,934
Surplus / (Deficit) in the scheme	(93,161)	(123,481)	(67,911)	(109,414)	(105,952)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £105.95m 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.

**5.2 The Teachers 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	2014-15 £000	2015-16 £000
<b>Included in Net Operating Expenditure</b>		
Total contributions charged to the accounts *	5,699	6,045
Cost of discretionary awards made in year	75	57
Employees contribution rate	6.4%-12.4%	7.4%-11.7%
Employers contribution rate **	14.1%	14.1% - 16.4%
* The 2014-15 Total Contribution charged has been restated at £5,699 instead of £5,609		
** Rate was 14.1% for April 2015 to August 2015 and 16.4% for September 2015 to March 2016		

## 6. REMUNERATION DETAILS

6.1 The following tables set out the disclosure of remuneration for Senior Staff as follows:

- Chief Executive / Acting Head of Paid Service and Directors including pension contributions or equivalent payments. The total contribution rate for employer pension contributions was 15.3% for 2014-15 and 15.4% for 2015-16.

Senior Officers		Gross Salary, Fees & Other Emoluments	Employer Pension Contributions to Local Government Pension Scheme	Benefits in kind	
Chief Executive and Returning Officer - Parry-Jones (Left 31-10-14) ****	DB	2014-15	387,202	NIL	2,712
New Chief Exec Officer Appointed 1-8-15		2015-16	87,342	13,451	5,319
Acting Head of Paid Service (from Nov 14)		2014-15	60,416	9,254	3,445
(up to 31-7-15) & Returning Officer from Dec 14		2015-16	58,572	9,020	3,561
Director of Finance & Leisure (Retired May 14)		2014-15	25,589	NIL	1,510
		2015-16			
Chief Finance Officer (from June 14)		2014-15	74,499	11,398	5,092
		2015-16	92,772	14,287	1,931
Director of Development		2014-15	114,135	17,463	9,602
		2015-16	114,135	17,577	9,949
Director of Transportation, Housing & Environment (to Nov 14) *		2014-15	66,578	10,186	4,822
		2015-16			
Director for Children & Schools		2014-15	110,128	16,849	9,077
		2015-16	104,408	16,079	7,267
Deputy Chief Executive (up to 6-9-15)		2014-15	103,456	15,828	7,034
		2015-16	46,088	7,097	3,356
Director of Social Services & Leisure ** *****		2014-15	106,237	16,254	5,739
		2015-16	112,191	17,277	11,623
Chief Education Officer (up to Nov 2014) ***		2014-15	52,725	8,066	3,947
		2015-16			
* Redesignated to Acting Head of Paid Service Nov 2014.					
** Redesignated from Director of Adult Care & Leisure Nov 2014.					
*** Redesignated to Director for Children & Schools Nov 2014.					
**** The Chief Executive left the employment of Pembrokeshire County Council by mutual agreement on 31 October 2014. The remuneration of the Chief Executive in 2014-15 includes termination benefits of £279,319.					
***** Includes £8,000 relocation allowance subject to tax in 2015-16					

- 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	
	2014-15	2015-16
£60,000 - £64,999	16	17
£65,000 - £69,999	7	5
£70,000 - £74,999	6	1
£75,000 - £79,999	5	8
£80,000 - £84,999	5	3
£85,000 - £89,999	3	6
£90,000 - £94,999	2	3
£95,000 - £99,999	0	3
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999 *	1	0

\* Banding includes termination benefits for a secondary school senior staff member, reported in note 6.3

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

The remuneration of the Council's Chief Executive / Acting Head of Paid Service during 2014-15 was £160,978. The median remuneration of all the Council's employees during 2014-15 was £17,159. The ratio of the remuneration of the Council's Chief Executive / Acting Head of Paid Service to the median remuneration of all the Council's employees during 2014-15 was approximately 9.4 : 1. (Based on the remuneration of the Acting Head of Paid Service for the whole of 2014-15, the ratio would have further reduced to 8.5 : 1).

## 6.2 Members Allowances

The total allowances including taxable benefits paid to Members in the year totalled £1,100,250 compared with £1,107,627 in 2014-15.

### 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.

<b>Redundancy &amp; Other Termination Costs (Current Year)</b>	<b>2014-15</b>				<b>2015-16</b>			
<b>Band</b>	<b>No's</b>			<b>£000</b>	<b>No's</b>			<b>£000</b>
	<b>Compulsory</b>	<b>Other</b>	<b>Total</b>		<b>Compulsory</b>	<b>Other</b>	<b>Total</b>	
£0 - £20,000	54	8	62	389	19	20	39	271
£20,001 - £40,000	6	3	9	238	7	6	13	396
£40,001 - £60,000 *	1	2	3	150	1	4	5	237
£60,001 - £80,000	-	1	1	68	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	1	1	279	-	-	-	-
<b>Total</b>	<b>61</b>	<b>15</b>	<b>76</b>	<b>1,124</b>	<b>27</b>	<b>30</b>	<b>57</b>	<b>904</b>
* Redundancy costs of £59k paid in 15-16 for one individual, but related to 14-15 has been included in the 15-16 figures above.								
<b>Pension Costs - Capital Settlement (Current Year)</b>	<b>2014-15</b>			<b>2015-16</b>				
<b>Band</b>	<b>No's</b>		<b>£000</b>	<b>No's</b>		<b>£000</b>		
£0 - £20,000	13		123	7		35		
£20,001 - £40,000	1		22	1		24		
£40,001 - £60,000	-		-	2		85		
<b>Total</b>	<b>14</b>		<b>145</b>	<b>10</b>		<b>144</b>		
<b>Pension Costs - Annual Contribution (Prior Year)</b>	<b>2014-15</b>			<b>2015-16</b>				
	<b>£000</b>			<b>£000</b>				
Annual Contribution	1,001			978				
<b>Total</b>	<b>1,001</b>			<b>978</b>				

## 7. AUDIT FEES

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

* Restated	2014-15 * £000	2015-16 £000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year (**) (***)	209	187
Fees payable to the Auditor General for Wales in respect of statutory inspections and the LG Measure	116	116
Fee payable for the certification of grant claims and returns	75	65
<b>Total</b>	<b>400</b>	<b>368</b>

\* The 2014-15 fees were based on estimates in the previous year and have been restated to reflect the actual fees incurred. The figures for the 2015-16 fees are estimated.

\*\* 2014-15 £209k includes £24,360 for fees payable relating to the former Head of Paid Service's severance agreement, £6,288 for fees relating to additional audit testing on asset valuations, and £3,749 fees for a query on the Audit Committee Vice Chair.

\*\*\* 2015-16 £187k includes £12,000 fees payable for work on a 2015-16 budget setting query.

## 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.

### 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 via the following [Link](#)

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 2015-16 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 2015-16, these being Pembrokeshire Care Society, Pembrokeshire College and The Torch Theatre. The value of these transactions during 2015-16 ranged from £133k to £260k.

### 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.

### 8.3 Contracts

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

### 8.4 Material Relationships

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

#### 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 on page 59. Grant receipts outstanding at 31 March 2016 are set out on pages 97-98.

#### 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.

#### 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	
	2014-15 £000	2015-16 £000
<b>Balance B/fwd</b>	-	-
<b>Contributions:</b>		
PCC	273	283
Hywel Dda	347	371
<b>Expenditure in Year</b>	<b>620</b>	<b>654</b>
<b>Balance C/Fwd</b>	-	-

#### 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 4.34, 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	2014-15				2015-16			
	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	32,626	431	4,678	60	65,907	262	9,364	37
Income	(32,626)	(262)	(4,678)	(37)	(65,907)	(322)	(9,364)	(45)
<b>Net Expenditure</b>	-	<b>169</b>	-	<b>23</b>	-	<b>(60)</b>	-	<b>(8)</b>
Movement on Reserves	-	(169)	-	(23)	-	60	-	8
<b>Net (Surplus) / Deficit</b>	-	<b>(169)</b>	-	<b>(23)</b>	-	<b>60</b>	-	<b>8</b>
Balance Sheet as at 31 March	2014-15				2015-16			
	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	4,978	476	603	67	1,288	488	182	69
Current Liabilities	(4,978)	(64)	(603)	(9)	(1,288)	(16)	(182)	(2)
<b>Total Assets Less Liabilities</b>	-	<b>412</b>	-	<b>58</b>	-	<b>472</b>	-	<b>67</b>
Long Term Liabilities	-	-	-	-	-	(93)	-	(13)
<b>Total Long Term Liabilities</b>	-	-	-	-	-	<b>(93)</b>	-	<b>(13)</b>
<b>Net Assets</b>	-	<b>412</b>	-	<b>58</b>	-	<b>379</b>	-	<b>54</b>
Reserves	-	(412)	-	(58)	-	(379)	-	(54)
<b>Total Financing</b>	-	<b>(412)</b>	-	<b>(58)</b>	-	<b>(379)</b>	-	<b>(54)</b>

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](http://www.erw.wales)

## South Pembrokeshire Hospital

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

## Substance Misuse Action Fund

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

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

	South Pembrokeshire Hospital				Substance Misuse Action Fund (SMAF) *			
	2014-15		2015-16		2014-15		2015-16	
	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Income and Expenditure</b>								
Expenditure	2,683	346	2,661	349	2,562	627	2,557	843
Income	(2,683)	(346)	(2,661)	(349)	(2,562)	(627)	(2,557)	(843)
<b>Net Expenditure / (Income)</b>	-	-	-	-	-	-	-	-
Movement on Joint Arrangement Reserve	-	-	-	-	-	-	-	-
<b>Net (Surplus) / Deficit</b>	-	-	-	-	-	-	-	-
	2014-15		2015-16		2014-15		2015-16	
	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share	Joint Arrangement	PCC Share
	£000	£000	£000	£000	£000	£000	£000	£000
	<b>Balance Sheet as at 31 March</b>							
Current Assets	-	-	-	-	1,026	287	635	210
Current Liabilities	-	-	-	-	(1,026)	(287)	(635)	(210)
<b>Total Assets Less Liabilities</b>	-	-	-	-	-	-	-	-
Reserves	-	-	-	-	-	-	-	-
<b>Total Financing</b>	-	-	-	-	-	-	-	-

\* PCC Lead Body

Other joint arrangements include Welsh Purchasing Consortium, Local Resilience Forum, Integrated Transport (SWWITCH) and ICT Shared Services amongst others. Where material, the main financial statements of the Council have been consolidated with the relevant entries.

The Anaerobic Digestion project closure was formally confirmed at a special meeting held on November 24<sup>th</sup> 2014, following the withdrawal of Shanks as preferred bidder.

**8.4.5 Controlled or Influenced Entities** – the Council controls the Tenby Pool and other Trust Funds. Tenby Pool gross income and expenditure and the fixed asset values have been incorporated into the Council's statement of Accounts. Detailed transactions are set out on pages 115-116.

## **9. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The Comprehensive Income and Expenditure Statement is prepared using the accounting policies set out on pages 28-45 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 pensions 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.

## 9.1 Net Cost of Services Analysed by Income and Expenditure Type

This reconciliation shows how the figures in the Net Revenue Summary (page 4) relate to the amounts included in the Comprehensive Income and Expenditure Statement (page 50).

Actual Expenditure 2015-16	Children's Services £000	Adult Social Services £000	General Fund Housing £000	Highways & Transport'n £000	Culture, Environ. & Planning £000	Services to the Public £000	Corporate & Democratic Core £000	Non-Distributed Costs £000	Court Services £000	Total £000
Rents, fees & charges etc	(6,130)	(15,638)	(745)	(8,596)	(12,614)	(757)	70	(662)	(27)	(45,099)
Government grants	(19,600)	(3,543)	(35,658)	(1,833)	(4,517)	(1,144)	(121)	(1,270)	-	(67,686)
<b>Total Income</b>	<b>(25,730)</b>	<b>(19,181)</b>	<b>(36,403)</b>	<b>(10,429)</b>	<b>(17,131)</b>	<b>(1,901)</b>	<b>(51)</b>	<b>(1,932)</b>	<b>(27)</b>	<b>(112,785)</b>
Employee costs	83,908	6,197	843	1,325	13,977	559	2,038	956	74	109,877
Other operating costs	31,750	52,206	35,624	14,043	18,159	8,984	1,609	34	145	162,554
Support services	9,368	5,209	960	2,825	4,653	1,682	599	-	24	25,320
<b>Total Costs</b>	<b>125,026</b>	<b>63,612</b>	<b>37,427</b>	<b>18,193</b>	<b>36,789</b>	<b>11,225</b>	<b>4,246</b>	<b>990</b>	<b>243</b>	<b>297,751</b>
<b>Net Cost of Services</b>	<b>99,296</b>	<b>44,431</b>	<b>1,024</b>	<b>7,764</b>	<b>19,658</b>	<b>9,324</b>	<b>4,195</b>	<b>(942)</b>	<b>216</b>	<b>184,966</b>
<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>										
Net Cost of Services										184,966
Add Services not in main analysis (HRA)										-
Add Financial Adjustments not included in management reports										134,747
Remove amounts not in Comprehensive Income and Expenditure Statement										67,635
<b>Net Cost of Services Comprehensive Income and Expenditure Statement</b>										<b>387,348</b>

## 9.1 Net Cost of Services Analysed by Income and Expenditure Type continued

Actual Expenditure 2014-15	Children's Services £000	Adult Social Services £000	General Fund Housing £000	Highways & Transport'n £000	Culture, Environ. & Planning £000	Services to the Public £000	Corporate & Democratic Core £000	Non-Distributed Costs £000	Court Services £000	Total £000
Rents, fees & charges etc	(6,002)	(16,635)	(775)	(8,271)	(12,489)	(803)	(239)	(661)	(11)	(45,886)
Government grants	(20,106)	(2,801)	(36,041)	(1,786)	(6,600)	(1,190)	(279)	(1,255)	-	(70,058)
<b>Total Income</b>	<b>(26,108)</b>	<b>(19,436)</b>	<b>(36,816)</b>	<b>(10,057)</b>	<b>(19,089)</b>	<b>(1,993)</b>	<b>(518)</b>	<b>(1,916)</b>	<b>(11)</b>	<b>(115,944)</b>
Employee costs	83,653	6,583	873	1,302	15,319	542	2,380	973	81	111,706
Other operating costs	35,511	49,506	36,184	14,589	20,805	9,032	538	144	170	166,479
Support services	8,799	6,511	982	2,988	4,829	1,718	986	-	13	26,826
<b>Total Costs</b>	<b>127,963</b>	<b>62,600</b>	<b>38,039</b>	<b>18,879</b>	<b>40,953</b>	<b>11,292</b>	<b>3,904</b>	<b>1,117</b>	<b>264</b>	<b>305,011</b>
<b>Net Cost of Services</b>	<b>101,855</b>	<b>43,164</b>	<b>1,223</b>	<b>8,822</b>	<b>21,864</b>	<b>9,299</b>	<b>3,386</b>	<b>(799)</b>	<b>253</b>	<b>189,067</b>
<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>										
Net Cost of Services										189,067
Add Services not in main analysis (HRA)										-
Add Financial Adjustments not included in management reports										48,691
Remove amounts not in Comprehensive Income and Expenditure Statement										(6,778)
<b>Net Cost of Services Comprehensive Income and Expenditure Statement</b>										<b>230,980</b>

## 9.2 Reconciliation to (Surplus) / Deficit in Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the preceding table relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to (Surplus) / Deficit in Comprehensive Income and Expenditure Statement								
Actual Expenditure 2015-16	Service Analysis	Services Not In Analysis (HRA)	Financial Adjustments	Not In Comp Inc & Exp	Alloc'n of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Rents, fees & charges etc	(45,099)	(20,962)	(3,815)	1,429	(393)	(68,840)	-	(68,840)
Interest & investment income	-	-	-	5	-	5	(677)	(672)
Income from council tax	-	-	-	-	-	-	(55,847)	(55,847)
Government Grants and Contributions	(67,686)	(88)	(2,805)	1,270	(30)	(69,339)	(179,320)	(248,659)
<b>Total Income</b>	<b>(112,785)</b>	<b>(21,050)</b>	<b>(6,620)</b>	<b>2,704</b>	<b>(423)</b>	<b>(138,174)</b>	<b>(235,844)</b>	<b>(374,018)</b>
Employee costs	109,878	1,162	5,790	-	22,239	139,069	-	139,069
Other operating costs	162,553	18,731	6,669	64,931	4,661	257,545	-	257,545
Support services	25,320	1,157	-	-	(26,477)	-	-	-
Depreciation, amortisation & impairment	-	-	128,908	-	-	128,908	-	128,908
Interest paid	-	-	-	-	-	-	14,702	14,702
Precepts & Levies	-	-	-	-	-	-	19,201	19,201
Gain or loss on disposal of fixed assets	-	-	-	-	-	-	(949)	(949)
<b>Total Costs</b>	<b>297,751</b>	<b>21,050</b>	<b>141,367</b>	<b>64,931</b>	<b>423</b>	<b>525,522</b>	<b>32,954</b>	<b>558,476</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>184,966</b>	<b>-</b>	<b>134,747</b>	<b>67,635</b>	<b>-</b>	<b>387,348</b>	<b>(202,890)</b>	<b>184,458</b>

## 9.2 Reconciliation to (Surplus) / Deficit in Comprehensive Income and Expenditure Statement continued

Reconciliation to (Surplus) / Deficit in Comprehensive Income and Expenditure Statement								
Actual Expenditure 2014-15	Service Analysis	Services Not In Analysis (HRA)	Financial Adjustments	Not In Comp Inc & Exp	Alloc'n of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Rents, fees & charges etc	(45,886)	(20,112)	(3,594)	1,911	(345)	(68,026)	-	(68,026)
Interest & investment income	-	-	-	7	-	7	(435)	(428)
Income from council tax	-	-	-	-	-	-	-	-
Government Grants and Contributions	(70,058)	-	(2,265)	1,255	(18)	(71,086)	(240,126)	(311,212)
<b>Total Income</b>	<b>(115,944)</b>	<b>(20,112)</b>	<b>(5,859)</b>	<b>3,173</b>	<b>(363)</b>	<b>(139,105)</b>	<b>(240,561)</b>	<b>(379,666)</b>
Employee costs	111,706	923	2,178	-	22,952	137,759	-	137,759
Other operating costs	166,479	18,225	5,878	(9,951)	5,201	185,832	-	185,832
Support services	26,826	964	-	-	(27,790)	-	-	-
Depreciation, amortisation & impairment	-	-	46,494	-	-	46,494	-	46,494
Interest paid	-	-	-	-	-	-	10,818	10,818
Precepts & Levies	-	-	-	-	-	-	19,545	19,545
Gain or loss on disposal of fixed assets	-	-	-	-	-	-	151	151
<b>Total Costs</b>	<b>305,011</b>	<b>20,112</b>	<b>54,550</b>	<b>(9,951)</b>	<b>363</b>	<b>370,085</b>	<b>30,514</b>	<b>400,599</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>189,067</b>	<b>-</b>	<b>48,691</b>	<b>(6,778)</b>	<b>-</b>	<b>230,980</b>	<b>(210,047)</b>	<b>20,933</b>

## NOTES TO THE BALANCE SHEET

### 1. NON-CURRENT ASSETS

#### 1.1 Fixed Assets

##### 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	Commun ity Assets £000	Heritage Assets £000	Assets Under Const'n £000	Surplus Assets £000	Total £000
<b>Carried at Historical Cost</b>	50,602	6,335	151,011	21,381	455	-	12,982	-	<b>242,766</b>
<b>Valued at Fair Value as at:</b>									
31 March 2016	199,025	269,805	-	-	45	-	-	4,590	<b>473,465</b>
31 March 2015	263	18,305	3	-	256	1,497	1,157	-	<b>21,481</b>
31 March 2014	-	9,570	-	-	-	-	-	-	<b>9,570</b>
31 March 2013	2,367	9,365	-	-	698	-	-	-	<b>12,430</b>
31 March 2012	-	1,608	-	-	-	-	-	-	<b>1,608</b>
<b>Total Cost or Valuation</b>	<b>252,257</b>	<b>314,988</b>	<b>151,014</b>	<b>21,381</b>	<b>1,454</b>	<b>1,497</b>	<b>14,139</b>	<b>4,590</b>	<b>761,320</b>

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 £2.0m) is held in trust. In accordance with changes to 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.



### 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
BuildingsLand	5 – 40 years
Infrastructure	Not depreciated
Vehicles Plant & General Equipment	40 years
IT Equipment	3 – 15 years
Heritage Assets	5 years
Community Assets	Not depreciated
Assets Under Construction	Not depreciated
Surplus Assets	Not depreciated
Investment Properties	5 – 40 years
Intangibles	Not depreciated
	3 years

### 1.1.3 Asset Usage And Categorisation

Type Of Asset	Net Book Value					
	2014-15			2015-16		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
<b>Property Plant &amp; Equipment</b>						
Council Dwellings *	89	279,804	<b>279,893</b>	61	205,849	205,910
Land & Buildings *	377,605	1,053	<b>378,658</b>	307,379	621	308,000
Infrastructure	115,042	-	<b>115,042</b>	117,900	-	117,900
Vehicles Plant & Equipment	8,817	345	<b>9,162</b>	8,481	268	8,749
Heritage Assets	1,985	-	<b>1,985</b>	1,451	-	1,451
Community Assets	1,347	51	<b>1,398</b>	1,374	51	1,425
Assets Under Construction **	5,169	-	<b>5,169</b>	12,915	-	12,915
Surplus Assets	6,208	-	<b>6,208</b>	4,586	-	4,586
	<b>516,262</b>	<b>281,253</b>	<b>797,515</b>	<b>454,147</b>	<b>206,789</b>	<b>660,936</b>
<b>Investment Property</b>	2,246	-	<b>2,246</b>	965	-	965
<b>Intangibles</b>	49	-	<b>49</b>	42	-	42
<b>Assets Held for Sale</b>	-	-	-	-	-	-
<b>Total</b>	<b>518,557</b>	<b>281,253</b>	<b>799,810</b>	<b>455,154</b>	<b>206,789</b>	<b>661,943</b>

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

\*\* Assets Under Construction include Tenby Leisure Centre and the 21<sup>st</sup> Century Schools Programme including Johnston Primary, Tenby Primary and Pembroke Learning Campus.

### 1.1.4 Movement in Non-Current Asset Values Property, Plant & Equipment Details 2015-16

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

\* Adjustment made for Tenby Pool Revaluation, write out of depreciation not showing in 2014-15 table in error.

## 1.1.5 Comparative Movement in Non Current Asset Values Property, Plant & Equipment 2014-15

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
<b>Cost or Valuation At 31 March 2014</b>	<b>333,584</b>	<b>487,931</b>	<b>131,830</b>	<b>20,729</b>	<b>1,599</b>	<b>1,154</b>	<b>1,496</b>	<b>6,471</b>	<b>984,794</b>
Prior Year Adjustment (GCA Valuation Error & Tenby Pool)	-	(35,133)	-	-	(2)	-	-	-	(35,135)
<b>Cost or Valuation At 1 April 2014</b>	<b>333,584</b>	<b>452,798</b>	<b>131,830</b>	<b>20,729</b>	<b>1,597</b>	<b>1,154</b>	<b>1,496</b>	<b>6,471</b>	<b>949,659</b>
Additions	6,006	5,831	12,778	2,232	19	94	5,113	-	32,073
De-recognition / disposals	-	(612)	-	(3,132)	-	-	-	(410)	(4,154)
De-recognition - other (component)	-	-	-	(74)	-	-	-	-	(74)
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount *	(63)	(39,346)	-	-	-	-	-	(2,152)	(41,561)
Revaluations increases / (decreases) recognised in the Revaluation Reserve	54	(4,534)	-	-	(105)	-	145	(7,744)	(12,184)
Revaluations increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	78	(5,245)	-	-	(91)	-	-	(1,737)	(6,995)
Reclassifications – PPE & Investment	-	(13,036)	-	-	(3)	857	(1,343)	13,525	-
Reclassifications – (to) / from Held for Sale	(306)	(12)	-	-	-	-	-	(1,677)	(1,995)
<b>At 31 March 2015 *</b>	<b>339,353</b>	<b>395,844</b>	<b>144,608</b>	<b>19,755</b>	<b>1,417</b>	<b>2,105</b>	<b>5,411</b>	<b>6,276</b>	<b>914,769</b>
<b>Depreciation &amp; Impairments</b>									
Depreciation	(15,398)	(38,761)	(24,632)	(9,702)	-	-	-	(329)	(88,822)
Impairment	(33,804)	(11,116)	(1,686)	(1,196)	-	-	(16)	(25)	(47,843)
<b>At 31 March 2014</b>	<b>(49,202)</b>	<b>(49,877)</b>	<b>(26,318)</b>	<b>(10,898)</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>(354)</b>	<b>(136,665)</b>
<b>Prior Year Adjustment (GCA Valuation Error)</b>									
Depreciation	-	11,595	-	-	-	-	-	-	11,595
Impairment	-	3,359	-	-	-	-	-	-	3,359
<b>Depreciation &amp; Impairments</b>									
Depreciation	(15,398)	(27,166)	(24,632)	(9,702)	-	-	-	(329)	(77,227)
Impairment	(33,804)	(7,757)	(1,686)	(1,196)	-	-	(16)	(25)	(44,484)
<b>Restated at 1 April 2014</b>	<b>(49,202)</b>	<b>(34,923)</b>	<b>(26,318)</b>	<b>(10,898)</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>(354)</b>	<b>(121,711)</b>
Depreciation Charge for 2014/15	(4,998)	(18,576)	(3,248)	(2,690)	-	(29)	-	(356)	(29,897)
Impairment Losses & Non-Enhancing Expenditure to Revaluation Reserve	-	(2,130)	-	-	-	(15)	-	-	(2,145)
Impairment Losses & Non-Enhancing Expenditure to Surplus/Deficit on the Provision of Services	(5,326)	(3,053)	-	(153)	(19)	(76)	(197)	-	(8,824)
<b>De-recognition / Disposals:</b>									
~ W/O Accumulated Depreciation	-	57	-	3,148	-	-	-	-	3,205
~ W/O Accumulated Impairment	-	554	-	-	-	-	-	-	554
<b>Revaluations:</b>									
~ W/O Accumulated Depreciation *	63	34,701	-	-	-	-	-	2,114	36,878
~ W/O Accumulated Impairment	-	4,645	-	-	-	-	-	37	4,682
<b>Reclassifications:</b>									
~ Transfer Accumulated Depreciation b/fwd	3	1,498	-	-	-	-	-	(1,497)	4
~ Transfer Accumulated Impairment b/fwd	-	41	-	-	-	-	(29)	(12)	-
<b>At 31 March 2015</b>	<b>(59,460)</b>	<b>(17,186)</b>	<b>(29,566)</b>	<b>(10,593)</b>	<b>(19)</b>	<b>(120)</b>	<b>(242)</b>	<b>(68)</b>	<b>(117,254)</b>
<b>Balance Sheet Amount at 31 March 2015</b>	<b>279,893</b>	<b>378,658</b>	<b>115,042</b>	<b>9,162</b>	<b>1,398</b>	<b>1,985</b>	<b>5,169</b>	<b>6,208</b>	<b>797,515</b>
<b>Restated Balance Sheet Amount as April 2014</b>	<b>284,382</b>	<b>417,875</b>	<b>105,512</b>	<b>9,831</b>	<b>1,597</b>	<b>1,154</b>	<b>1,480</b>	<b>6,117</b>	<b>827,948</b>
<b>Balance Sheet Amount at 31 March 2014</b>	<b>284,382</b>	<b>438,054</b>	<b>105,512</b>	<b>9,831</b>	<b>1,599</b>	<b>1,154</b>	<b>1,480</b>	<b>6,117</b>	<b>848,129</b>

### 1.1.6 Heritage Asset Transactions In Year

	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
<b>Balance at 1 April</b>	<b>1,089</b>	<b>1,089</b>	<b>1,151</b>	<b>1,154</b>	<b>1,985</b>
Cost of Acquisition of heritage assets	-	6	-	94	-
Value of heritage assets acquired by donation	-	-	-	857	-
					-
<b>Disposal of Heritage Assets</b>					
· Sale Proceeds	-	-	-	-	-
· Carrying Value	-	-	-	-	(5)
Revaluations	-	67	3	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(5)	-	(15)	(536)
Impairment losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	-	(1)	-	(76)	7
Depreciation	-	(5)	-	(29)	-
Impairment in period	-	-	-	-	-
<b>Balance at 31 March</b>	<b>1,089</b>	<b>1,151</b>	<b>1,154</b>	<b>1,985</b>	<b>1,451</b>

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

### 1.2 Investment Property

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

Local authorities are required to apply the fair value measurement and disclosure requirements of Section 2.10 of the Code from 1 April 2015. The relevant disclosure note can be found in section 1.5.1 page 85-86 in the notes to the Balance Sheet for Non-Current Assets.

	2014-15 £000	2015-16 £000
<b>Movement in Fair Value</b>		
<b>Balance at 1 April</b>	<b>2,589</b>	<b>2,246</b>
· Purchase	-	-
· Construction	-	-
· Expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(343)	(142)
Transfers	-	(1,139)
<b>Balance at 31 March</b>	<b>2,246</b>	<b>965</b>

## Fixed Asset Disposals and De-recognitions in the Year

The gross carrying value of assets disposed of in the year were :	2014-15 £000	2015-16 £000
<b>Disposals</b>		
Council Housing	336	876
Building Plots and Land	2,069	2,845
Investment Property	-	-
Other	495	684
<b>Total Disposals</b>	<b>2,900</b>	<b>4,405</b>
<b>De-recognitions</b>		
Council Housing	-	-
Building Plots and Land	612	279
Investment Property	-	-
Other	2,637	25
<b>Total De-recognitions</b>	<b>3,249</b>	<b>304</b>

### 1.4 Intangible Assets

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

	2014-15 £000	2015-16 £000
<b>Balance at start of year:</b>		
Gross Carrying Amounts	136	136
Accumulated Amortisation	(47)	(87)
<b>Net Carrying Amount at start of year</b>	<b>89</b>	<b>49</b>
Additions	-	39
Amortisation for the period	(40)	(46)
<b>Net carrying amount at end of year</b>	<b>(40)</b>	<b>(7)</b>
<b>Comprising:</b>		
Gross Carrying Amounts	136	175
Accumulated Amortisation	(87)	(133)
	<b>49</b>	<b>42</b>
There are no internally generated Intangible Assets		

## 1.5 IFRS 13 FAIR VALUE MEASUREMENT

### 1.5.1 Investment Properties

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016 are as follows:

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

No comparative figures for 2014-15 as the requirement of IFRS 13 Fair Value Measurement was introduced in the 2015-16 Code

### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

#### Significant Observable Inputs – Level 2

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

#### Significant Unobservable Inputs – Level 3

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

### Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### Valuation Techniques

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

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

	As at 31 March 2016 £'000	Valuation technique used to measure Fair Value	Unobservable inputs	Sensitivity
Offices	73	MV	Valuation based on the market rent passing for the property	Significant changes in rental income and/or rent growth will result in a significantly lower or higher fair value
Commercial	225	MV	Valuation based on the market rent passing or terms agreed for the property	Significant changes in rental income and/or rent growth will result in a significantly lower or higher fair value
Total Investment Property	<b>298</b>			

No comparative figures for 2014-15 as the requirement of IFRS 13 Fair Value Measurement was introduced in the 2015-16 Code.

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

**1.5.2 Surplus Assets**

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

No comparative figures for 2014-15 as the requirement of IFRS 13 Fair Value Measurement was introduced in the 2015-16 Code.

**Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus properties**

**Significant Observable Inputs – Level 2**

The fair value has been based on terms agreed and the level of observable inputs are significant, therefore, leading to the properties being categorised at Level 2 in the fair value hierarchy.

**Significant Unobservable Inputs – Level 3**

The fair value has been based on comparable evidence, external advice and similar sales agreed. Therefore, the level of unobservable inputs are significant, leading to the properties being categorised at Level 3 in the fair value hierarchy.

**Highest and Best Use of surplus properties**

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

**Valuation Techniques**

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

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

	As at 31 March 2016  £'000	Valuation technique used to measure Fair Value	Unobservable inputs	Sensitivity
Surplus Assets	1,832	MV	Valuation based on the market rent passing for the property	Significant changes in rental income and/or rent growth will result in a significantly lower or higher fair value

No comparative figures for 2014-15 as the requirement of IFRS 13 Fair Value Measurement was introduced in the 2015-16 Code.

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.



## 1.6 Capital Expenditure and Financing

### 1.6.1 Capital Expenditure in Year

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

	2014-15 £000	2015-16 £000
<b>Capital Expenditure Analysed by Services:</b>		
Education	6,448	11,156
Social Services	196	304
Transport	13,377	8,257
Housing – H.R.A.	6,006	7,625
Housing – Council Fund	2,752	1,338
Culture & Related Services	1,073	1,464
Development	1,114	1,443
Environmental	2,065	1,021
Corporate	1,570	645
	<b>34,601</b>	<b>33,253</b>
Assets Acquired Under Finance Leases in the Year	31	30
<b>Capital Investment</b>	<b>34,632</b>	<b>33,283</b>
<b>Representing:</b>		
Fixed Assets	32,367	31,536
Gross Revenue Expenditure Funded from Capital Under Statute	2,265	1,747
	<b>34,632</b>	<b>33,283</b>
<b>Financed by:</b>		
Loans	7,229	1,708
Unsupported Borrowing	-	-
Capital Grants, Receipts & Contributions	22,785	24,324
General Fund Reserves Applied	4,587	7,221
Finance Leases	31	30
	<b>34,632</b>	<b>33,283</b>

### 1.6.2 Capitalisation of Borrowing Costs

No borrowing costs were capitalised during the year.

### 1.6.3 Capital Financing Requirement

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

	2014-15 £000	2015-16 £000
<b>Capital Financing Requirement as at 1 April</b>	<b>130,022</b>	<b>132,039</b>
<b>Opening Balance Adjustment</b>		
HRA Subsidy Exit Settlement	-	80,733
<b>Movements in Year</b>		
Prior Year Adjustment	2	-
Increase/(Decrease) in Supported Borrowing (Local & Central Taxation)	1,984	(3,468)
Increase/(Decrease) in Unsupported Borrowing (Local Taxation)	-	-
Assets Acquired/Disposed of Under Finance Leases	31	23
<b>Capital Finance Requirement as at 31 March</b>	<b>132,039</b>	<b>209,327</b>
<b>In Year Movement</b>		
HRA Subsidy Exit Settlement	-	80,733
<b>Capital Investment:</b>		
Property Plant and Equipment Prior Year Reversal	-	(58)
Property Plant and Equipment	32,073	31,000
Property Plant and Equipment non-enhancing expenditure in year adjustment		(40)
Investment Properties	-	-
Intangible Assets	-	39
Loans & Advances	292	595
Revenue Expenditure Funded From Capital Under Statute	2,265	1,747
<b>Sub-total</b>	<b>34,630</b>	<b>114,016</b>
Prior Year Adjustment	2	-
<b>Total</b>	<b>34,632</b>	<b>114,016</b>
<b>Sources of Finance:</b>		
Capital Receipts	(2,969)	(4,729)
Set Aside Capital Receipts	(243)	(866)
Government Grants and Other Contributions	(19,816)	(19,595)
Finance Lease Disposals	(5)	(7)
<b>Sums Set Aside From Revenue:</b>		
- Direct Revenue Contribution	(4,587)	(7,221)
- Minimum Revenue Provision	(4,995)	(4,310)
	<b>(32,615)</b>	<b>(36,728)</b>
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>2,017</b>	<b>77,288</b>

## 1.6.4 Capital Contract Commitments

The following represents amounts committed under major works contracts. £1.47m has been accrued in the 2015-16 accounts.

<b>The major commitments under capital contracts at the 31 March are:</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>£000</b>	<b>£000</b>
Education	7,564	7,472
Social Services	22	151
Transport	3,448	1,785
Housing – H.R.A.	1,219	1,153
Housing – Council Fund	428	449
Culture & Related Services	1,093	229
Development	104	323
Environmental	1,133	145
Corporate	457	314
	<b>15,468</b>	<b>12,021</b>

## 2. PRIVATE FINANCE INITIATIVE

### 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 £1.45m. Future commitments over the life of the contract are estimated to be £20.0m.

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

### 2.2 Valuation Depreciation and Impairment

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

## 2.3 PFI Transactions

### 2.3.1 Movement in PFI Asset Values

	2014-15 £000	2015-16 £000
<b>Cost or Valuation</b>		
At 1 April	19,403	13,056
Prior Year Adjustment (DRC Valuations)	(6,520)	-
<b>Restated 1 April</b>	<b>12,883</b>	<b>13,056</b>
Additions	173	112
Disposals	-	
Reclassifications	-	
Revaluations	-	(3,457)
<b>At 31 March</b>	<b>13,056</b>	<b>9,711</b>
<b>Depreciation &amp; Impairments</b>		
Depreciation	(635)	(29)
Impairment	(88)	(173)
<b>At 1 April</b>	<b>(723)</b>	<b>(202)</b>
Prior year adjustment Depreciation	635	
Prior year adjustment Impairment	88	
<b>Restated 1 April</b>		<b>(202)</b>
Depreciation Charge for Year	(614)	(614)
Impairment Losses for Year	(173)	(112)
Revaluation:		
W/O Accumulated Depreciation	585	757
W/O Accumulated Impairment	-	59
<b>As at 31 March</b>	<b>(202)</b>	<b>(112)</b>
<b>Balance Sheet Amount at 31 March</b>	<b>12,854</b>	<b>9,599</b>

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

### 2.3.2 Value of PFI Deferred Liability

	2014-15 £000	2015-16 £000
<b>Liability</b>		
<b>Balance Sheet Amount at 1 April</b>	<b>(7,527)</b>	<b>(7,344)</b>
Capital Element Repaid	183	201
<b>Balance Sheet Amount at 31 March</b>	<b>(7,344)</b>	<b>(7,143)</b>

### 2.3.3 PFI Lifecycle Cost Prepayment

	2014-15 £000	2015-16 £000
<b>Prepayment</b>		
<b>Balance Sheet Amount at 1 April</b>	<b>1,048</b>	<b>1,108</b>
Lifecycle Payment In Year	233	236
Lifecycle Non-Enhancing Expenditure In Year	(173)	(112)
<b>Balance Sheet Amount at 31 March</b>	<b>1,108</b>	<b>1,232</b>

### 2.3.4 Obligations Relating to PFI Assets

	Liability £000	Interest £000	Service Charge* £000	Lifecycle Replacement* £000	Total Oblig'n £000
Obligations 2016-17	220	658	239	67	1,184
Obligations 2017-18 - 2020-21	1,109	2,401	957	268	4,735
Obligations 2021-22 - 2025-26	2,092	2,296	1,196	336	5,920
Obligations 2026-27 - 2030-31	3,292	1,096	1,196	336	5,920
Obligations 2031-32 - 2035-36	430	23	358	101	912
Obligations 2036-37					-
<b>Total Obligation At 31 March 2016</b>	<b>7,143</b>	<b>6,474</b>	<b>3,946</b>	<b>1,108</b>	<b>18,671</b>
<b>Total Obligation At 31 March 2015</b>	<b>7,344</b>	<b>7,151</b>	<b>4,186</b>	<b>1,175</b>	<b>19,856</b>
*Estimated at current prices					

### 3. LEASE AND LEASE TYPE ARRANGEMENTS

#### 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.

##### 3.1.1 Assets Acquired / Utilised under Lease Arrangements

	Property		Equipment		Vehicles & Plant	
	2014-15 £000	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000	2015-16 £000
<b>Finance Leases</b>						
Net value of assets leased included in Balance Sheet*:	1,801	769	113	76	-	-
<b>Operating Leases</b>						
Contingent rents/sublease payments recognised in year	80	90	156	234	499	523
Future sub-lease payments receivable	-	-	-	-	-	-
<b>Total Operating Leases</b>	<b>80</b>	<b>90</b>	<b>156</b>	<b>234</b>	<b>499</b>	<b>523</b>

\* Net asset value restated to include Haverfordia House 2014-15 revaluation.

The minimum lease payments due under Finance Lease arrangements are;

	Property		Equipment		Vehicles & Plant	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Net present value of future payments	160	160	109	67	-	-
Finance charge due in future years	839	825	12	8	-	-
<b>Minimum Payments Due</b>	<b>999</b>	<b>985</b>	<b>121</b>	<b>75</b>	<b>-</b>	<b>-</b>

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

	Obligations 2016-17 £000	Obligations 2017-18 - 2020-21 £000	Obligations Post 2021 £000	Total £000
<b>Minimum Lease Payments:</b>				
Property	104	299	2,003	<b>2,406</b>
Equipment	269	388	-	<b>657</b>
Vehicles & Plant	491	609	-	<b>1,100</b>

### 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. The gross investment comprises of:

	31 March 2015 £000	31 March 2016 £000
Finance lease debtor (net present value of minimum lease payments)*	-	-
Unearned finance income	-	-
Unguaranteed residual value of property	-	-
<b>Gross Investment in Leases</b>	-	-
* Finance lease debtors are not material as consideration payments totalling £890k were made at the inception of the agreements. No liability is therefore outstanding.		

Receipts Due	Payments Receivable 2016-17 £000	Payments Receivable 2017-18- 2020-21 £000	Payments Receivable Post 2021 £000	Total £000
<b>Finance Leases</b>				
Gross investment in leases	-	-	-	-
Minimum lease receipts*	-	-	14	14
<b>Operating Leases</b>				
Minimum aggregate lease payments	1,028	2,961	10,909	14,898
* Finance lease income is based on peppercorn rentals received over a period of ~999 years.				

### 4. INVENTORIES & WORKS IN PROGRESS (Construction Contracts)

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

	Building & Engineering Stores £000	Culture Environ & Planning £000	Catering £000	Other £000	Total £000
<b>Balance at 31 March 2015</b>	808	181	97	104	1,190
Purchases	2,949	404	1,430	704	5,487
Recognised as an expense in year	(2,932)	(451)	(1,412)	(745)	(5,540)
<b>Balance at 31 March 2016</b>	825	134	115	63	1,137

## 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 2016 was £88.3m. The corresponding fair value of investments at 31 March 2015 was £83.9m.

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 2015 £000	Maturity Value			Interest Accrued in Year £000	Amortised Value 31 March 2016 £000	Fair Value 31 March 2016 £000
		1 April 2015 £000	Move- ment In Year £000	31 March 2016 £000			
<b>Long Term</b> (over 12 months)							
· Money Market	-			-	-	-	-
· Local Authority Mortgage Scheme	1,000	1,000	-	1,000	-	1,000	n/a
	<b>1,000</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>-</b>
<b>Short Term</b> (under 12 months)							
· Money Market	80,329	80,132	5,134	85,266	233	85,499	85,601
· Local Authority Mortgage Scheme	34	-	-	-	33	33	n/a
	<b>80,363</b>	<b>80,132</b>	<b>5,134</b>	<b>85,266</b>	<b>266</b>	<b>85,532</b>	<b>85,601</b>
<b>Cash Equivalent</b>							
· Money Market	3,478	3,478	(764)	2,714	-	2,714	2,693
<b>Total Investments</b>	<b>84,841</b>	<b>84,610</b>	<b>4,370</b>	<b>88,980</b>	<b>266</b>	<b>89,246</b>	<b>88,294</b>

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



## 6. DEBTORS AND CREDITORS

### 6.1 Debtors and Prepayments

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

	<b>Net 1 April 2015 £000</b>	<b>Gross 31 March 2016 £000</b>	<b>Impairment Allowance £000</b>	<b>Net 31 March 2016 £000</b>
<b>Amounts falling due after one year:</b>				
Mortgages	-	-	-	-
Other Loans	573	652	-	652
Debts Against Estates (see table below)	1,274	1,519	-	1,519
	<b>1,847</b>	<b>2,171</b>	-	<b>2,171</b>
<b>Amounts falling due in one year:</b>				
Central Government Bodies	14,984	11,481	-	11,481
Other Local Authorities & Public Bodies	2,742	1,328	(77)	1,251
NHS Bodies	670	915	(69)	846
HRA Tenants and Former Tenants	616	1,430	(903)	527
Prepayments	2,273	2,108	-	2,108
Council Taxpayers	634	2,743	(2,061)	682
Sundry Debtors & Accrued Income	3,634	7,606	(2,334)	5,272
	<b>25,553</b>	<b>27,611</b>	<b>(5,444)</b>	<b>22,167</b>

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

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
<b>Debts Against Estates</b>		
<b>Maturity Value</b>	<b>1,422</b>	<b>1,749</b>
<b>Financial Adjustment Account Entries</b>		
Effective Interest Rate Adjustment		
· Prior Year	155	166
· Current Year	11	28
Net Present Value Adjustment		
· Prior Year	(314)	(314)
· Current Year	-	(110)
<b>Amortised (Fair) Value</b>	<b>1,274</b>	<b>1,519</b>

## 6.2 Creditors

	Balance 1 April 2015				Balance 31 March 2016			
	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
<b>Amounts falling due in one year:</b>								
Central Government Bodies	(3,563)	(1,422)	(4,911)	<b>(9,896)</b>	(3,674)	(1,081)	(4,106)	<b>(8,861)</b>
Other Local Authorities & Public Bodies	(1,973)	-	-	<b>(1,973)</b>	(1,918)	-	-	<b>(1,918)</b>
NHS Bodies	(400)	-	-	<b>(400)</b>	(270)	-	-	<b>(270)</b>
Deposits and Bonds	(3,755)	-	-	<b>(3,755)</b>	(2,658)	-	-	<b>(2,658)</b>
Sundry Creditors	(18,073)	-	(4,610)	<b>(22,683)</b>	(15,880)	-	(4,678)	<b>(20,558)</b>
	<b>(27,764)</b>	<b>(1,422)</b>	<b>(9,521)</b>	<b>(38,707)</b>	<b>(24,400)</b>	<b>(1,081)</b>	<b>(8,784)</b>	<b>(34,265)</b>
<b>Loan Interest</b>				(986)				(1,265)
<b>Loans Maturing within One Year</b>				(1,570)				(1,513)
<b>Total Creditors</b>				<b>(41,263)</b>				<b>(37,043)</b>

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

## 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 2015	Change in amount where conditions expected to be satisfied in < 1 year	Applied in Year Conditions Met	Returned in Year Conditions Not Met	Received In Year Conditions Outstanding	Balance at 31 March 2016
<b>Current Liability:</b>						
<b>Revenue Grants</b>						
• General Fund	(1,422)	-	1,422	-	(1,081)	<b>(1,081)</b>
• HRA	-	-	-	-	-	-
<b>Capital Grants</b>						
• General Fund	(9,521)	-	3,286	7	(2,556)	<b>(8,784)</b>
• HRA	-	-	-	-	-	-
<b>Total</b>	<b>(10,943)</b>	-	<b>4,708</b>	<b>7</b>	<b>(3,637)</b>	<b>(9,865)</b>

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

<b>Capital Grants Receipts in Advance</b>	<b>2014-15 £000</b>	<b>2015-16 £000</b>
<b>Current Liabilities</b>		
WG - SSR Southern Strategic Route	(1,257)	(17)
WG - Home Improvements	-	(926)
WG - Town Centre	(1,250)	(1,250)
Contribution to Group Repair Schemes	(1,479)	(1,568)
S106 Developers Contributions	(2,614)	(2,769)
Other Capital Grants & Contributions	(2,921)	(2,254)
<b>Total Current Liabilities Capital Grants Receipts in Advance</b>	<b>(9,521)</b>	<b>(8,784)</b>

	<b>£000</b>	<b>£000</b>
<b>Current Liabilities</b>		
Education & Childrens' Services	(421)	(38)
Adult Social Services	-	-
Culture, Environment & Planning Services	(176)	(168)
Highways & Transport Services	-	-
Central & Corporate Services	(495)	(495)
General Fund Housing & HRA	(330)	(380)
<b>Total Current Liabilities Revenue Grants Receipts in Advance</b>	<b>(1,422)</b>	<b>(1,081)</b>

## 7. CASH AND CASH EQUIVALENTS

	<b>Balance April 2015 £000</b>	<b>Balance 31 March 2016 £000</b>
Cash at bank / in hand	1,682	1,873
Bank Call Accounts	3,478	2,714
Cash overdrawn	-	-
<b>Total Cash and Cash Equivalents</b>	<b>5,160</b>	<b>4,587</b>

## 8. ASSETS HELD FOR SALE

	<b>2014-15 £000</b>	<b>2015-16 £000</b>
<b>Balance outstanding at start of year</b>	-	-
Assets classified as Held for Sale during year	1,995	3,721
Revaluation gains / losses	-	-
Assets sold	(1,995)	(3,721)
<b>Balance outstanding at end of year:</b>	-	-

## 9. PROVISIONS AND CONTINGENT LIABILITIES AND ASSETS

### 9.1 Provisions

	2014-15				2015-16			
	Insurance	Other	CRC	Total	Insurance	Other	CRC	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Brought Forward at 1 April</b>	<b>(1,812)</b>	<b>(452)</b>	<b>(177)</b>	<b>(2,441)</b>	<b>(1,545)</b>	<b>(227)</b>	<b>-</b>	<b>(1,772)</b>
Cost of Claims Charged To Services	753	-	-	753	518	8	-	526
Less : External Reimbursement	(142)	-	-	(142)	(31)	-	-	(31)
Other	-	233	169	402	-	320	-	320
<b>Charged To Provision</b>	<b>611</b>	<b>233</b>	<b>169</b>	<b>1,013</b>	<b>487</b>	<b>328</b>	<b>-</b>	<b>815</b>
Contributions & Transfers In Year	(344)	(8)	8	(344)	(235)	(161)	-	(396)
<b>Balance Carried Forward at 31 March</b>	<b>(1,545)</b>	<b>(227)</b>	<b>-</b>	<b>(1,772)</b>	<b>(1,293)</b>	<b>(60)</b>	<b>-</b>	<b>(1,353)</b>

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

Following a national pay agreement, the Council is in the process of settling equal pay claims. A new compliant pay and grading structure has been implemented. Provision has been made to meet the cost of these liabilities.

### 9.2 Contingent Liabilities

- Following conflicting legislation enacted by the U.K. Government, it is possible that charges made for certain property searches may be refundable. However, the position of reimbursing local authorities is being reviewed by the government. The potential exposure of the Council is estimated at £50,000. However a Welsh Government Grant amounting to £42,000 has been received to largely mitigate this liability.
- Mutual Municipal Insurance ceased writing insurance business on 30 September 1992 and an arrangement was put in place in 1994 to ensure an orderly run off. In the event of it becoming clear that a solvent run off was unlikely to be achieved, it was identified that a Scheme of Arrangement would be triggered which would pass some of the liability to repay old claims to the Council.

The Scheme was triggered on 13 November 2012 and an assessment made that the Council faced a levy of 15% in 2013-14, with the cost of £206,000 included within the accounts. As further claims have been paid the scheme administrator has raised the levy rate to 25% which resulted in the Authority making a provision to pay an additional £137,000. Therefore the total cost to the Authority so far will be £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.
- A review of the Pembroke and Pembroke Dock Townscape Heritage Initiative grant scheme by the Heritage Lottery Fund has identified the potential for grant claw back of up to £182,000 due to ineligible expenditure having been included in the claim.

- The potential liability exposure of the Council cannot be estimated in respect of the following:

Under the Local Authority Mortgage Scheme, entered into in June 2012, the Authority advanced £1m to Lloyds (mortgage provider) to support first time buyers in the acquisition of a house. The Authority has signed an indemnity deed with the mortgage provider. The indemnity requires the Authority to compensate the bank if the mortgagor defaults and a loss is crystallised. This occurs when the bank has pursued the arrears and has to repossess and sell the property. The Authority will only pay its share of the loss if the sale proceeds are insufficient to pay off the outstanding debt. Losses will be invoiced as they arise but there is an option to elect to deduct losses from the cash advance when it is repaid after 5 years. There are currently no defaults reported on any of the mortgages supported through LAMS. Taking into consideration the current low repossession rates it is determined that the value of the indemnity is negligible. The Authority earns interest on the cash advance and interest earned has been set-aside in an earmarked reserve to provide for any potential loss associated with LAMS.

For the past decade the Authority has acted as a collection agent on behalf of Dwr Cymru in respect of Housing Revenue Account (HRA) Tenants water and sewerage charges. In return for this service the Authority has received a commission which has been treated as an income stream to the HRA. The treatment of this arrangement has been called in to question due to a Court ruling during 2015-16 (Kim Jones versus London Borough of Southwark) which ruled that Local Authorities collecting water rates via the HRA were doing so as a water supplier and not as an agent of the water supplier. Traditionally this has been viewed as an agency arrangement, but the Court ruling concludes that the Authority concerned was acting as a water supplier, which has significant financial implications for those affected, both in terms of the agency fee and where action has been taken against rent arrears that could be deemed to include water rates. In order to limit this potential liability, the Council has entered into a new agreement with the water supplier from 1 April 2017, which ensures that it is acting as an agent.

### **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.

## 10. LONG TERM BORROWING

### 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	2014-15 £000	Market Loans £000	NAW £000	PWLB £000	2015-16 £000
<b>Maturity Value</b>	<b>(117,528)</b>	<b>(40,000)</b>	<b>(300)</b>	<b>(156,450)</b>	<b>(196,750)</b>
<b>Financial Adjustment Account Entries</b>					
Effective Interest Rate Adjust					
• Prior years	(365)	(586)	166	-	(420)
• Current year	(55)	3	(51)	-	(48)
<b>Deferred Liabilities Account Entries</b>					
Discounts Transferred	(200)	(200)	-	-	(200)
Less Discount write down					
• Prior years	10	12	-	-	12
• Current year	2	2	-	-	2
<b>Council Fund Account Entries</b>					
Effective Interest Rate w/off	(8)	(8)	-	-	(8)
<b>Amortised Value</b>	<b>(118,144)</b>	<b>(40,777)</b>	<b>(185)</b>	<b>(156,450)</b>	<b>(197,412)</b>

### 10.2 Comparison of Maturity Value & Fair Value

The fair value is an estimate of what the loan portfolio would cost to redeem as at 31 March 2016. 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	2014-15 £000	Market Loans £000	NAW £000	PWLB £000	2015-16 £000
<b>Maturity Value</b>					
<b>As at 1 April</b>					
Long Term Borrowing	(118,098)	(40,000)	(400)	(77,128)	(117,528)
Short Term Borrowing	(1,514)	-	(100)	(1,470)	(1,570)
<b>Total Borrowing</b>	<b>(119,612)</b>	<b>(40,000)</b>	<b>(500)</b>	<b>(78,598)</b>	<b>(119,098)</b>
Repaid in Year	1,514	-	100	1,470	1,570
Raised in Year	(1,000)	-	-	(80,733)	(80,733)
<b>As at 31 March</b>					
Long Term Borrowing	(117,528)	(40,000)	(300)	(156,449)	(196,749)
Short Term Borrowing	(1,570)	-	(100)	(1,413)	(1,513)
<b>Total Borrowing</b>	<b>(119,098)</b>	<b>(40,000)</b>	<b>(400)</b>	<b>(157,862)</b>	<b>(198,262)</b>
Change in amount due in less than 1 year	(56)	-	-	57	57
<b>Fair Value</b>	<b>(172,290)</b>	<b>(56,518)</b>	<b>(378)</b>	<b>(213,364)</b>	<b>(270,260)</b>

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 2016. However for comparison calculating fair value using exit pricing would have resulted in a value of £317.59m 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.

**10.3** An analysis of the debt portfolio by maturity value by lender and by maturity profile at 31 March is shown on page 107.

## 11. DEFERRED LIABILITIES

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

	Balance at 1 April 2015 £000	Incurred In Year £000	Released In Year £000	In Year PV Adjust-ment £000	Balance at 31 March 2016 £000
S. Care Debts Against Estates	(1,274)	(452)	125	82	(1,519)
Private Finance Initiative (PFI)	(7,344)	-	201	-	(7,143)
Finance Leases (Property)	(160)	-	-	-	(160)
Finance Leases (Equipment)	(109)	(30)	72		(67)
<b>Total</b>	<b>(8,887)</b>	<b>(482)</b>	<b>398</b>	<b>82</b>	<b>(8,889)</b>

## 12. USABLE RESERVES

	2014-15 £000	2015-16 £000
Earmarked Reserves (see page 56)	(66,044)	(69,177)
Capital Receipts and Contributions (see page 57)	(4,621)	(4,673)
<b>Total</b>	<b>(70,665)</b>	<b>(73,850)</b>

## 13. UNUSABLE RESERVES

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

	Balance at 1 April 2015* £000	Movement in Year £000	Balance at 31 March 2016 £000
Deferred Capital Receipts Reserve	(48)	-	(48)
Capital Adjustment Account	(467,892)	168,090	(299,802)
Revaluation Reserve	(200,367)	46,955	(153,412)
Financial Instruments Adjustment Account	1,075	(31)	1,044
Accumulated Absences Account	1,439	(227)	1,212
Pensions Reserve	109,414	(3,462)	105,952
PFI Lifecycle Reserve	(1,108)	(124)	(1,232)
<b>Unusable Reserves Total</b>	<b>(557,487)</b>	<b>211,201</b>	<b>(346,286)</b>

\* Restated to reflect opening balance adjustments for ERW pension (Pension Reserve) and prior year capital costs transferred to revenue (CAA)

### 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 2015 £000	Advanced £000	Repaid £000	Balance at 31 March 2016 £000
Council House & Commercial Mortgages	(48)	-	-	(48)

### 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.

	2014-15 £000	2015-16 £000
<b>Balance 1 April</b>	<b>(476,352)</b>	<b>(467,892)</b>
Prior year adjustment DRC Valuations & Tenby Pool	736	
Prior year capital spend transferred to revenue		(59)
<b>Restated Balance 1 April</b>	<b>(475,616)</b>	<b>(467,951)</b>
<b>Amounts Set Aside To Repay Debt</b>		
- Minimum Revenue Provision	(4,997)	(4,310)
- Reserved Capital Receipts	(243)	(866)
<b>Financing of Expenditure on Fixed Assets:</b>		
- Capital Fund applied	(2,401)	(4,281)
- Other Funds applied	(2,186)	(2,940)
- Capital Receipts applied	(2,969)	(4,729)
- Capital Grants & Contributions credited to CI&E applied to capital financing	(17,536)	(18,005)
- Capital Grants Unapplied Account Applied	(15)	-
<b>Income &amp; Expenditure Statement Charges:</b>		
- HRA Subsidy Settlement exit	-	80,733
- Write down of Net Revenue Expenditure Funded from Capital Under Statute	1	158
- Amount Provided for Depreciation	29,937	29,312
- Non-Enhancing Expenditure In Year Adjustment		(40)
- Non-Enhancing Expenditure	8,397	9,501
- Impairment	427	100
- Revaluation Loss	9,293	96,066
- Revaluation Gain used to reverse previous Revaluation Loss	(2,298)	(6,030)
- Movement in Fair Value of Investment Properties	343	142
- Write down of Deferred Liability	39	485
- Disposal of Finance Lease liability	-	(7)
<b>Fixed Asset Movements:</b>		
- Disposals	2,459	3,767
- Valuation Adjustments	2	(1)
<b>Revaluation Reserve Movements:</b>		
- Amounts written off	(10,529)	(10,906)
<b>Balance Carried Forward 31 March</b>	<b>(467,892)</b>	<b>(299,802)</b>



### 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

	2014-15 £000	2015-16 £000
<b>Balance Brought Forward at 1 April</b>	<b>(244,670)</b>	<b>(200,367)</b>
Prior year adjustment GCA Valuations and Tenby Pool	19,445	
<b>Restated Balance Brought Forward at 1 April</b>	<b>(225,225)</b>	<b>(200,367)</b>
Revaluation Gains	(20,009)	(52,970)
Downward revaluation and impairment*	34,338	89,019
<b>Surplus/Deficit on revaluation of non-current assets not charged to the surplus/deficit on the provision of services</b>	<b>14,329</b>	<b>36,049</b>
Write off excess current value depreciation over historical cost depreciation	9,608	9,028
Write off excess current value impairment over historical cost impairment	-	-
Write off balance re asset disposals	921	1,878
Write off balance re miscellaneous assets (e.g. scrapped and demolished assets)	-	-
<b>Total Written Off</b>	<b>10,529</b>	<b>10,906</b>
<b>Balance Carried Forward at 31 March</b>	<b>(200,367)</b>	<b>(153,412)</b>
* 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		

### 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.

	2014-15 £000	2015-16 £000
<b>Balance 1 April</b>	<b>1,099</b>	<b>1,075</b>
<b>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</b>		
Effective interest rate adjustment	55	48
PWLB premium paid	-	-
PWLB discount received	-	-
<b>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</b>		
Write down of deferred discounts	9	9
Write down of deferred premiums	(88)	(88)
<b>Balance 31 March</b>	<b>1,075</b>	<b>1,044</b>

#### 13.4.1 Nature and Extent of Risks Arising From Financial Instruments

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

##### Credit Risk

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

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

##### Investment Credit Risk

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

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

## **Credit Exposures**

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

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

## **Liquidity Risk**

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

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

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

## **Market Risks**

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

## **Interest Rate Risk**

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

- The Council maintains a significant debt and investment portfolio. To limit re-financing risk the Council's policy is to try and ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. Where, because of an inherited debt position, this is more difficult an optimum time for refinancing will be sought.
- Changes in interest rates will not impact on the Balance Sheet for the majority of assets and liabilities held at amortised cost, but will impact on those held at fair value. The fair value of fixed rate financial assets will fall if interest rates rise and the fair value of fixed rate financial liabilities will rise if interest rates fall.
- Increases in rates will potentially increase investment income and the cost of borrowing and vice versa. The extent at any one time depends upon the composition and maturity profile of the investment and loans portfolios and the relativity of borrowing and investment rates. If interest rates had been 1% higher at the 31 March 2016 the net financial effect would be increased interest income of £0.58m.

## **Price Risk**

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

## **Foreign Exchange Risk**

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

### 13.4.2 Portfolio Analysis

#### Analysis of Loans Portfolio at Maturity Value by Lender and by Maturity Profile at 31 March 2016

Due for Redemption Within:	1 Year £000	2 Years £000	3 to 5 Years £000	6 to 10 Years £000	Over 10 Years £000	Total 2015-16 £000
Market Loans	-	-	-	-	40,000	40,000
Loans managed by other Authorities	-	-	-	-	-	-
NAW	100	100	200	-	-	400
PWLB	1,413	1,417	12,012	17,682	125,338	157,862
<b>Total</b>	<b>1,513</b>	<b>1,517</b>	<b>12,212</b>	<b>17,682</b>	<b>165,338</b>	<b>198,262</b>
Fixed rate	1,513	1,517	12,212	17,682	125,338	158,262
Variable rate	-	-	-	-	40,000	40,000
<b>Total</b>	<b>1,513</b>	<b>1,517</b>	<b>12,212</b>	<b>17,682</b>	<b>165,338</b>	<b>198,262</b>

#### 13.4.3 Analysis of Investment Portfolio at Maturity Value by Credit Exposure and by Maturity Profile at 31 March 2016

Due for Realisation Within :	1 Year £000	2 Years £000	5 Years £000	Total 2015-16 £000
<b>Specified Investments</b> (duration when made less than 364 days)				
UK Government	-	-	-	-
Banks & Building Societies	67,980	1,000	-	68,980
Local Authorities	5,000	-	-	5,000
<b>Non Specified</b> (duration when made greater than 364 days)				
Banks & Building Societies	15,000	-	-	15,000
Local Authorities	-	-	-	-
<b>Total</b>	<b>87,980</b>	<b>1,000</b>	<b>-</b>	<b>88,980</b>
Fixed rate	79,000	1,000	-	80,000
Variable rate (Call Accounts)	8,980	-	-	8,980
<b>Total</b>	<b>87,980</b>	<b>1,000</b>	<b>-</b>	<b>88,980</b>

### 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

	2014-15 £000	2015-16 £000
<b>Balance 1 April</b>	<b>1,351</b>	<b>1,439</b>
Settlement or cancellation of preceding year's accrual	(1,351)	(1,439)
Accrual for current year	1,439	1,212
<b>Balance 31 March</b>	<b>1,439</b>	<b>1,212</b>

### 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 Balance Sheet note 2.3.3 page 92.

### 13.7 Pensions Reserve

The Pensions Reserve relates to the Dyfed Pension Scheme (see pages 63-66) 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.

	2014-15 £000	2015-16 £000
<b>Balance 31 March</b>	<b>67,911</b>	<b>109,414</b>
Opening Balance Adjustment (ERW)		(40)
<b>Balance 1 April</b>		<b>109,374</b>
Remeasurements of Pension Liabilities and Assets	36,643	(12,853)
Reversal of items chargeable to the surplus/ deficit on the provision of services in the Comprehensive Income and Expenditure Statement	15,666	20,210
Employers pension contributions and other direct payments in the year	(10,806)	(10,779)
<b>Balance 31 March</b>	<b>109,414</b>	<b>105,952</b>

## HOUSING REVENUE ACCOUNT (HRA)

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

### 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.

	2014-15		2015-16	
	HRA Working Balance £000	Earmarked HRA Reserves £000	HRA Working Balance £000	Earmarked HRA Reserves £000
<b>Balance 1 April</b>	<b>(752)</b>	<b>(5,910)</b>	<b>(752)</b>	<b>(6,243)</b>
<b>(Surplus) / Deficit On HRA Services</b>	<b>4,072</b>	<b>-</b>	<b>145,120</b>	<b>-</b>
<b>Adjustments between Accounting Basis and Regulatory Funding Basis.</b>				
<b>Amounts included in HRA Income and Expenditure required by regulation to be excluded to arrive at the funding position</b>				
- Net gain or loss on disposal of non-current assets	17	-	(16)	
- Depreciation and impairment of Council dwellings & infrastructure *	(10,374)	-	(73,792)	
- Capital Grants treated as revenue income	3,960	-	3,968	
- Pension Cost Adjustment	(612)	-	(924)	
-HRA Subsidy Exit Settlement **	-	-	(80,733)	
<b>Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position:</b>				
- Employer's contribution to the Dyfed Pension Fund	391	-	465	
- Revenue contribution to finance capital	2,150	-	3,820	
- Provision for repayment of debt	84	-	1,692	
<b>Net (Increase) / Decrease Before Transfers (To) / From Reserves</b>	<b>(4,384)</b>	<b>-</b>	<b>(145,520)</b>	<b>-</b>
Transfers (To)/ From Reserves	312	(333)	400	(322)
<b>(Increase) / Decrease In Year</b>	<b>(4,072)</b>	<b>(333)</b>	<b>(145,120)</b>	<b>(322)</b>
<b>Balance 31 March</b>	<b>(752)</b>	<b>(6,243)</b>	<b>(752)</b>	<b>(6,565)</b>

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

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

## 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.

	2014-15			2015-16		
	Rent Setting £000	Adjusts £000	IFRS Report £000	Rent Setting £000	Adjusts £000	IFRS Report £000
<b>Income</b>						
Rents: Dwellings (gross)	(19,002)	-	(19,002)	(19,825)	-	(19,825)
Other	(359)	-	(359)	(361)	-	(361)
Charges for services and facilities	(130)	-	(130)	(197)	-	(197)
Contributions towards expenditure	(615)	-	(615)	(663)	-	(663)
<b>Total Income</b>	<b>(20,106)</b>	<b>-</b>	<b>(20,106)</b>	<b>(21,046)</b>	<b>-</b>	<b>(21,046)</b>
<b>Expenditure</b>						
Repairs and maintenance (Pensions IAS19 adj)	7,492	43	7,535	7,163	102	7,265
Supervision and management (Pensions IAS19 adj)	2,988	68	3,056	3,452	198	3,650
Rents, rates, taxes & other charges	43	-	43	40	-	40
HRA subsidy payable	6,546	-	6,546	(3)	-	(3)
Bad debt provision	205	-	205	63	-	63
Depreciation and impairment of non current assets *	-	10,374	10,374	-	73,793	73,793
Debt management costs	2	-	2	38	-	38
HRA Subsidy Exit Settlement **	-	-	-	-	80,733	80,733
<b>Total Expenditure</b>	<b>17,276</b>	<b>10,485</b>	<b>27,761</b>	<b>10,753</b>	<b>154,826</b>	<b>165,579</b>
<b>Net Cost of HRA Services</b>	<b>-</b>	<b>-</b>	<b>7,655</b>	<b>-</b>	<b>-</b>	<b>144,533</b>
HRA services share of corporate and democratic core	37	-	37	61	-	61
HRA Services share of non distributed costs	-	-	-	-	-	-
<b>Net Cost / (Income) of HRA Services</b>	<b>(2,793)</b>	<b>10,485</b>	<b>7,692</b>	<b>(10,232)</b>	<b>154,826</b>	<b>144,594</b>
<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>						
Interest receivable	(6)	-	(6)	(4)	-	(4)
Minimum Revenue Provision	84	(84)	-	1,692	(1,692)	-
Interest payable (including debt redemption premiums and discounts)	253	-	253	4,324	-	4,324
Appropriations to Reserves	2,462	(2,462)	-	4,220	(4,220)	-
(Gains)/Loss on HRA assets	-	(17)	(17)	-	16	16
Major Repairs Allowance & Other Grants	-	(3,960)	(3,960)	-	(3,969)	(3,969)
Pensions interest costs and expected rate of return	-	110	110	-	159	159
<b>(Surplus) / Deficit for Year on HRA Services</b>	<b>-</b>	<b>4,072</b>	<b>4,072</b>	<b>-</b>	<b>145,120</b>	<b>145,120</b>

\*&\*\*see notes on page 109

## NOTES TO THE HRA STATEMENTS

### 1. HOUSING STOCK

The Council was responsible for the maintenance and management of an average stock of 5,662 dwellings and 1,076 shops and garages in 2015-16 comprising of:

	Stock at 1 April 2015	Additions	Transfers	Sales / Demolitions	Stock at 31 March 2016
Houses / Bungalows	4,390	3	2	(10)	4,385
Bedsits and Flats	1,273	4	-	(1)	1,276
Shops and Garages	1,075	-	1	-	1,076
Pumping Stations & Treatment Works	38	-	(11)	-	27
<b>Total Stock</b>	<b>6,776</b>	<b>7</b>	<b>(8)</b>	<b>(11)</b>	<b>6,764</b>

### 2. RENTS - DWELLINGS

This is the total rent income due for the year after an allowance has been made for empty properties etc. Weekly rents were increased by 2.7% in 2015-16, plus up to £1.50 per week for properties that were under Welsh Government Target Rent Levels. Rents above target levels were reduced to target levels. The average un-rebated rent collectable being £68.54. Individual rent increases applied varied between £0.12 and £4.26 per week. The comparative figures for 2014-15 are 2.5% and £65.72 respectively.

Tenants & Former Tenants	2014-15 £000	2015-16 £000
Gross Arrears	1,259	1,398
Bad Debt Allowance	(886)	(902)
<b>Net Arrears at 31 March</b>	<b>373</b>	<b>496</b>

### 3. SERVICE CHARGES

Welsh Government require Service Charges to be De-pooled from rents. During 2015-16 Service Charges were introduced for Warden Services provided to those tenants. Individual tenants were charged between £1.11 and £8.60 per week for those services.



#### 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

<b>Owned Assets</b>	<b>Council Housing</b>	<b>Other HRA Land &amp; Buildings</b>	<b>Infra-structure</b>	<b>Council Housing Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>				
<b>At 1 April 2015</b>	<b>331,050</b>	<b>815</b>	<b>7,488</b>	<b>339,353</b>
Additions	7,274	-	352	7,626
Derecognition - disposals	-	-	-	-
Derecognition - other	-	-	-	-
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount	(25,385)	-	-	(25,385)
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(6,329)	-	-	(6,329)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(61,402)	(4)	-	(61,406)
Reclassifications - PPE & Investment	56	21	(803)	(726)
Reclassifications - Held for Sale	(876)	-	-	(876)
<b>At 31 March 2016</b>	<b>244,388</b>	<b>832</b>	<b>7,037</b>	<b>252,257</b>
Depreciation & Impairments				
Depreciation	(19,897)	(65)	(368)	(20,330)
Impairment	(38,680)	-	(450)	(39,130)
<b>At 1 April 2015</b>	<b>(58,577)</b>	<b>(65)</b>	<b>(818)</b>	<b>(59,460)</b>
Depreciation Charge for 2015-16	(5,485)	(37)	(106)	(5,628)
Impairment Losses to Revaluation Reserve	-	-	(2)	(2)
Impairment Losses to Surplus/Deficit on the Provision of Services	(6,642)	-	-	(6,642)
Disposals:				
~ W/O Accumulated Depreciation	-	-	-	-
~ W/O Accumulated Impairment	-	-	-	-
Revaluations:				
~ W/O Accumulated Depreciation	25,385	-	-	25,385
~ W/O Accumulated Impairment	-	-	-	-
Reclassifications:				
~ Transfer Accumulated Depreciation b/fwd	-	-	-	-
~ Transfer Accumulated Impairment b/fwd	-	-	-	-
<b>At 31 March 2016</b>	<b>(45,319)</b>	<b>(102)</b>	<b>(926)</b>	<b>(46,347)</b>
<b>Balance Sheet Amount at 31 March 2016</b>	<b>199,069</b>	<b>730</b>	<b>6,111</b>	<b>205,910</b>
<b>Balance Sheet Amount at 1 April 2015</b>	<b>272,473</b>	<b>750</b>	<b>6,670</b>	<b>279,893</b>

\*£6,642k impairment relates to the value of work undertaken to improve HRA assets but does not increase the value of the assets.

## 5. HRA CAPITAL EXPENDITURE AND RECEIPTS

<b>Total Capital Expenditure Funded by:</b>	<b>2014-15 £000</b>	<b>2015-16 £000</b>
Major Repairs Allowance Grant	3,960	3,969
Capital Grants & Contributions	-	37
Capital Receipts	81	-
Capital Fund	1,965	3,620
<b>Total</b>	<b>6,006</b>	<b>7,626</b>
<b>Receipts From Asset Disposals</b>	<b>335</b>	<b>866</b>

## 6. HRA PENSION COSTS

HRA pension contributions of £300k from the Pension Reserve were made in accordance with Accounting Policy 4.20 as set out in the Statement of Accounting Policies.

## 7. POST BALANCE SHEET EVENT

None

## OTHER ACCOUNTS PREPARED OR CONTROLLED BY THE COUNCIL

### 1. Welsh Church Act Fund Account

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

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

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

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

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

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

Revenue Account	2014-15 £000	2015-16 £000
<b>Income</b>		
Rent of Buildings & Land	(5)	(5)
Investment Income	(24)	(26)
<b>Total Income</b>	<b>(29)</b>	<b>(31)</b>
Less: Administration Costs	6	6
<b>Surplus to Accumulated Fund</b>	<b>(23)</b>	<b>(25)</b>
Disbursement Re Grant Payments	3	57
<b>(Surplus) / Deficit for Year</b>	<b>(20)</b>	<b>32</b>
<b>Capital Account</b>		
Net Profit on Realised Investments Reinvested in Year	(12)	(13)
Change in Unrealised (Gains)/Losses	320	55
<b>Net Assets Statement as at 31 March</b>		
Investment Assets at Market Value	1,155	1,086
Fixed Assets	323	323
Net Current Assets	350	345
<b>Net Assets</b>	<b>1,828</b>	<b>1,754</b>
<b>Accumulated Funds</b>		
Capital	(772)	(758)
Revaluation Reserve	(170)	(170)
Revenue	(349)	(345)
Unrealised Profit Reserve	(390)	(335)
Capital Adjustment Account	(147)	(146)
<b>Total Accumulated Funds</b>	<b>(1,828)</b>	<b>(1,754)</b>

## **2. Trust Funds and Monies Held in Trust**

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

**2.1 Education and Children's Services** - the following trusts, which are administered by schools, provide scholarships, prizes and grants to pupils and local educational groups:

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

**2.2 Social Services** – monies are held in trust for children and residents by the Council.

In addition the Council administers the following trust fund accounts:

St Brides Aid In Sickness  
E. E. Forsyth Trust  
Lily Davies Trust  
Mem Blewitt Bequest Trust Fund  
H. E. A. Richards

## **2.3 Cultural Services**

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

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

## 2.4 Summary Revenue Accounts

April To March		Income	Expenditure	Contribution (to) from Balances
		£000	£000	£000
Education & Children's Services Trusts - 2014-15		(5)	9	4
- 2015-16		(5)	2	(3)
Social Services Trusts - 2014-15		(305)	317	12
- 2015-16		(108)	109	1
Tenby Swimming Pool - 2014-15		(278)	278	-
- 2015-16		(267)	267	-
The Picton Playing Field Trust transactions for 2015-16 & 2014-15 were under £1,000				

### 2.4.1 Balance Sheet

Balance Sheet As At 31 March	Education & Children's Services		Social Services		Tenby Pool	
	2014-15 £000	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000	2015-16 £000
Fixed Assets(net)	-	-	-	-	2,303	1,997
Debtors	39	32	148	148	-	-
Stock	-	-	-	-	2	2
Investments	125	125	1	1	24	27
<b>Total Assets</b>	<b>164</b>	<b>157</b>	<b>149</b>	<b>149</b>	<b>2,329</b>	<b>2,026</b>
Creditors	-	-	-	-	(9)	(12)
<b>Net Assets</b>	<b>164</b>	<b>157</b>	<b>149</b>	<b>149</b>	<b>2,320</b>	<b>2,014</b>
<b>Represented By:</b>						
Residents Property	-	-	(2)	(2)	-	-
Legacies / Criminal Injury Compensation	-	-	(64)	(64)	-	-
Accumulated Funds:	(164)	(157)	(83)	(83)	(2,320)	(2,014)
	<b>(164)</b>	<b>(157)</b>	<b>(149)</b>	<b>(149)</b>	<b>(2,320)</b>	<b>(2,014)</b>
The Picton Playing Field Trust has no assets or liabilities						