

Pembrokeshire County Council

Annual Financial Report Including Statement of Accounts

2018-19



18 July 2019

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1.0 NARRATIVE REPORT

1.1 INTRODUCTION

Pembrokeshire County Council's Statement of Accounts for 2018-19 provides a record of the Council's financial performance and position for the year. This section of the report was introduced in 2017-18 and aims to communicate the Council's purpose, how it has performed in accordance with its overall strategy and against performance indicators over the year, and how it has allocated its resources in line with intended outcomes. It demonstrates collective performance over the year and how well the Council is equipped to deal with the challenges ahead and to continue delivering services and supporting its local community. It tells the story of the Council by providing a holistic, clear and well-structured view of its strategy, governance, performance and future outlook.

1.2 ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT

1.2.1 Key Facts about Pembrokeshire

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

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

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

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

The Council employs around 5,711 people, based on the December 2018 payroll, including those working in Schools, 136 less than in December 2017. The annual cost of employing the workforce remains in the region of £139m, 40% of its gross expenditure budget

1.2.2 Political Profile

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

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

From 1996 to 2017, Pembrokeshire was administered by an Independent Political Group, the IPG. Following the County Council elections in May 2017, the Council elected, without contest, an unaffiliated Leader who formed a Cabinet which include Labour, Plaid Cymru, Liberal Democrat and unaffiliated Councillors.

The Cabinet and their portfolios are shown below:

- Cllr David Simpson – Leader of the Council (Unaffiliated)
 - Cllr Neil Prior – Cabinet Member for Transformation and ICT (Unaffiliated)
 - Cllr Paul Miller – Cabinet Member for Economy, Tourism, Leisure and Culture (Labour)
 - Cllr Phil Baker – Cabinet Member for Planning and Infrastructure (Unaffiliated)
 - Cllr Bob Kilmister – Cabinet Member for Finance (Liberal Democrat)
 - Cllr Cris Tomos – Cabinet Member for Environment and Welsh Language (Plaid Cymru)
 - Cllr Tessa Hodgson – Cabinet Member for Social Services (Unaffiliated)
 - Cllr Pat Davies – Cabinet Member for Housing and Regulatory Services (Unaffiliated)
 - Cllr Guy Woodham* – Cabinet Member for Education and Lifelong Learning (Labour)
- *Replaced Councillor David Lloyd in May 2019

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

1.2.3 Programme for the Administration 2018-22

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

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

1.2.4 Management Structure

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

- Ian Westley – Chief Executive – Central Services
- Jon Haswell – Director of Resources
- Steven Jones – Director of Community Services
- Kate Evan-Hughes – Director for Children and Schools
- Jon Griffiths – Director of Social Services and Housing

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

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

The Chief Executive and Directors are supported by Heads of Service who are accountable for the operational management, performance and forward planning of discrete services, collectively known as Divisions. A review of the senior management arrangements of the Council was undertaken by the Chief Executive during 2018-19, resulting in a reduction in the number of Heads of Service and the movement of some Divisions between Directorates.

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

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

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

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

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

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

1.2.6 Council Vision

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

1.2.7 Improvement Review 2017-18

The Improvement Review 2017-18, completed during 2018-19, outlined Council progress in respect of the following:

- Improving governance and improving how we manage resources

- The prosperous goal, resilient goal, healthy goal, equal goal, cohesive communities goal, vibrant culture and thriving Welsh language goal, and the globally responsible goal.

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

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

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

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

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

As well as our Well-being objectives, we set a cross-cutting objective entitled "Transformation" which focused on how the Council will change its services. This was the third year we had Well-being objectives around organisational change. Whilst we have made progress in this area, we needed to pick up the pace of change

1.2.9 Corporate Plan (Including Well-being Objectives) for 2019-20

The Corporate Plan continues to be based around the Cabinet's Programme for Administration 2018-22. It also considers trends and changes in trends, based on the Welsh Government Future Trends Report 2017, namely population, health, housing, jobs and economy, town centres and retail, climate change, energy, waste, infrastructure, and technology.

The Corporate Plan also outlines progress in delivering the Well-being objectives for 2018-19, concluding that "we have made progress on the Well-being objectives we set in 2018-19. These were always intended to be longer term goals and we would not expect them to be completed within a single year. The individual actions that deliver our Well-being objectives have been revised in order to take into account new challenges, opportunities and past performance".

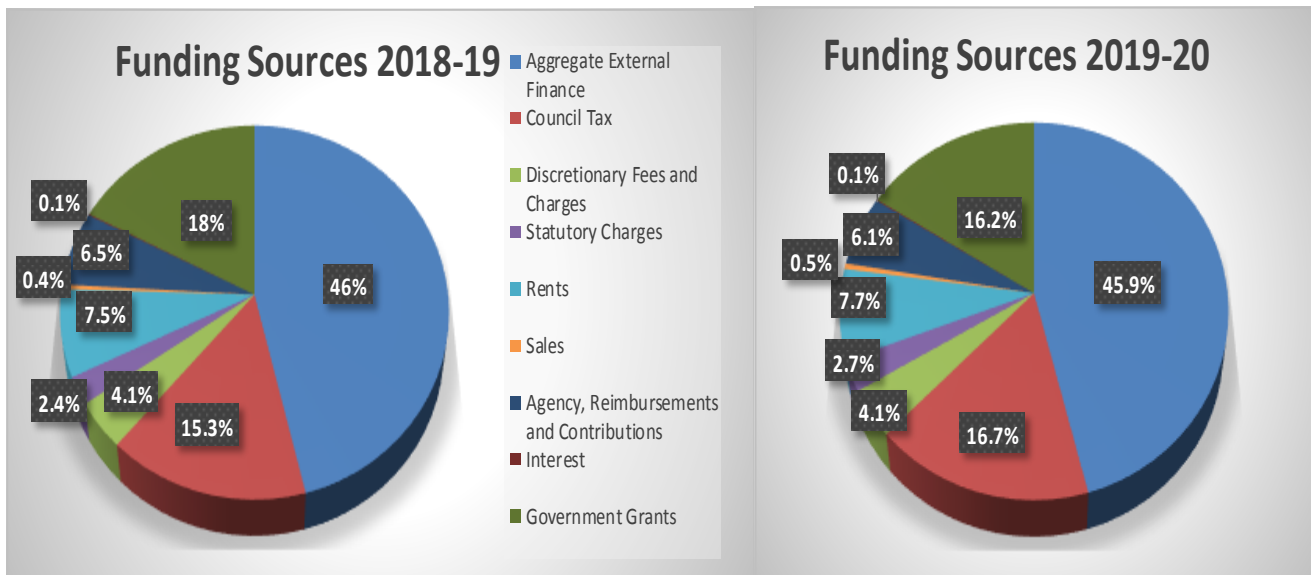
The table below shows how our 2019-20 Well-being objectives compare with the 2018-19 Wellbeing objectives and the Programme for Administration:

2018-19 Well-being Objectives	Portfolio area	2019-20 Well-being Objectives
1. Continue to improve education outcomes so every child achieves and contributes more than they thought possible.	Education	1. Continue to improve education outcomes so every child achieves and contributes more than they thought possible.
2. Continue to change how we deliver social care by promoting prevention and healthy lifestyles to improve well-being.	Social Care	2. Continue to focus on prevention: helping people to stay in control of their own lives rather than becoming dependent on social services.
3. Support the right environment for businesses to grow and assist secure and sustainable employment.	Economic Development Planning and Infrastructure	3. To make Pembrokeshire economically competitive, productive and prosperous, a great place to visit, live and work.
4. Enable and facilitate a range of affordable and market housing in urban and rural areas.	Housing	4. Provide good quality housing to provide security, wellbeing and quality of life for the residents of Pembrokeshire.
5. Protect our environment.	Environment and Welsh Language	5. We will promote pride in Pembrokeshire seeking to enhance its reputation as a place for exceptional environmental quality.
6. Self-sustained, resourceful and vibrant communities.	Transformation	6. This is now part of the Relationships Transformation Theme.

1.2.10 Funding Sources

The Council receives its funding from two main sources – Aggregate External Finance (AEF) and Council Tax. The AEF, comprising of Revenue Support Grant (RSG) and Redistributed National Non-Domestic Rates, is awarded by Welsh Government and for 2019-20 is £162.5m. This will now account for 46.0% of the Council's total income, 0.4% lower than in 2018-19. With the 9.92% increase in Council Tax for 2019-20, Council Tax received will contribute a further 16.7%, 1.3% higher than 2018-19, with the remaining 37.3% coming from sources such as specific Government and European grants and income from fees and charges.

The charts below identifies the budgeted funding sources for 2018-19 and 2019-20



1.2.11 Strategic Partnerships

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

Corporate

- Pembrokeshire Public Services Board
- Safer Pembrokeshire Community Safety Partnership
- Dyfed and Teachers Pension Scheme

Children and Schools

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

Social Care

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

Development

- Swansea Bay City Deal
- Pembrokeshire Nature Partnership
- Regional Substance Misuse Area Planning Board

Housing

- Pembrokeshire Housing Register Partnership

1.3 GOVERNANCE

1.3.1 Local Code of Governance

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

1.3.2 Annual Governance Statement

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

- Financial Challenges/Transformation (SGI)
- Culture and Ethics (PFI)
- Partnership Governance Arrangements (PFI)
- Secondary School IT Networks (PFI)
- Corporate Complaints (PFI)
- Options Appraisal and Evidencing Rationale for Decision Making (PFI)
- Post Implementation Review and Lessons Learned (PFI)
- Strengthening Business Risk Management Arrangements (PFI)
- Workforce Planning (PFI)
- Reviewing the Effectiveness of Assets (PFI)
- Scrutiny Effectiveness (PFI)

The Annual Governance Statement for 2018-19 will be considered by the Audit Committee on 16 July 2019 and approved by Council on 18 July 2019.

1.3.3 Audit Committee

The Audit Committee, made up of six Councillors and one independent lay-member, monitors and challenges the implementation of the specific actions relating to the SGIs and PFIs via a quarterly report, with further issues identified during the year flagged up to them by the use of red and amber stars

1.4 OPERATIONAL MODEL

1.4.1 Transformation Programme

The Council's Transformation Governance Arrangements and Remodelled Transformation Programme, approved by Cabinet on 16 April 2018, were in place throughout 2018-19 and have continued into 2019-20, focussing on three key themes:

- Technological Transformation
- Cultural Transformation
- Relationships Transformation

There was significant progress made with the Technological and Cultural Transformation Themes during 2018-19, but progress with the Relationships Transformation theme was limited. Key outcomes during 2018-19 included a new preferred culture of Learning, Purpose and Results; the implementation of smarter working which will result in the closure of several corporate buildings; the cessation and radical change of services; the introduction of voluntary severance and early retirement schemes; and the continued rollout of digital services to our customers. Key transformation work streams for 2019-20 include the continued organisation redesign, the implementation of a new financial information management system, and the rollout of business process redesign. The Transformation Programme continues to provide Directors and Heads of Service with the tools required to enable them to meet their cost reduction/efficiency targets.

The Transformation Programme Board, consisting of officers and Members, continues to meet on a monthly basis, with the minutes being reported to Cabinet and the Corporate Overview & Scrutiny Committee for consideration and challenge.

1.4.2 Review of the Council's Transformation Programme

The Wales Audit Office undertook a review of the Council's Transformation Programme in March 2018 and issued the final report in October 2018. The review was built on the "Aligning the Levers of Change" work, and looked again at the Council's approach to its transformation programme. They looked at the delivery of associated savings identified in the Medium Term Financial Plan and sought to answer the question "Is the Council effectively managing its transformation programme to deliver the savings required to meet its Medium Term Financial Plan?"

They concluded that "The Council has moved forward with its Transformation Programme, but planned savings targets have not been met and issues remain with clarity, pace and the assessment of outcomes". They came to this conclusion because the Council changed its approach to transformation and the delivery of financial savings, but needs to be clearer about its desired operating model and how that goal will be achieved; some projects in the transformation programme have made progress, but overall pace remain slow; and the delivery of savings continues to fall short of planned targets and arrangements for evaluating and reporting on the transformation programme's outcomes are underdeveloped.

The proposals for improvement were to clarify key elements of the transformation programme, strengthen programme management and strengthen financial planning arrangements.

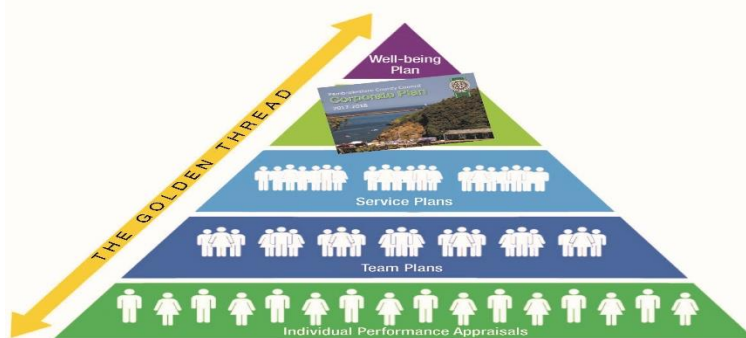
1.4.3 Target Operating Model Principles

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

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

1.4.4 Performance Management Framework

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



1.5 RISKS AND OPPORTUNITIES

1.5.1 Business Risk Management Strategy 2018-21

The Business Risk Management Strategy 2018-21 was approved by the Audit Committee in July 2018

1.5.2 Corporate Risk Register (Threats) for 2019-20

The Corporate Risk Register (Threats) for 2018-19 identified 13 risks to achievement of the Council's Well-being Objectives and was approved by Cabinet on 10 September 2018. As a live document, it is revised and updated on an ongoing basis and was last formally reviewed by the Audit Committee on 4 April 2019. The corporate risks, their risk score and RAG (red, amber & green) ratings at the start and finish of the year are shown below:

Corporate Risk	1 April 2018	31 March 2019
	Risk Score / RAG	Risk Score / RAG
Medium Term Financial Plan/Transformation	16	16
Demand and Demographics	8	16
Loss of Key Staff, Corporate Memory and Expertise	12	12
Brexit	-	12
Cyber Security	-	12
Grant Funding	9	9
Officer/Member Relations	8	9
21 st Century Schools Programme (Band B)	6	8
Information Governance	12	8
Safeguarding	8	8
Key Stage 4 Underperformance	8	8
Delivery of the Programme of the Administration	-	6
Joint Working and Partnership Arrangements	6	6

The "Vision and Corporate Objectives" and "Welsh Language Standards" risks, shown in the table last year, are no longer deemed to be corporate risks.

1.5.3 Longer Term Business Risks

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

- Loss of a Significant Employer in the County

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

1.5.4 Key Financial Risks for Budget Setting 2018-19

The key risks considered by Council when setting the budget for 2019-20 are outlined below

• Well-being Objectives

A considerable amount of work has been undertaken in recent years to align the approval of the Corporate Plan and the Budget, namely the Council's Well-being objectives should be approved prior to the approval of the budget. However, for 2019-20 the Budget was approved first. Should any Well-being objectives which were not foreseen during the budget planning process subsequently be approved, there is a risk that they will not be appropriately funded during 2019-20.

The introduction of the Programme for the Administration has provided clarity as to the priority areas over the term of the MTFP 2019-20 – 2022-23, and discussions have taken place with Cabinet Members during the budget planning process in respect of funding the implementation of the priorities.

• Schools - National Pay Award and Employers Pension Contribution

Pressures in Schools were compounded by the teachers' pay award of up to 3.5% from September 2018 (albeit Welsh Government have funded the increase above the Local Authorities assumed budget level of 1% and this has been passported to Schools) and the increase in the employers pension contribution rate for teacher's pensions from 16.48% to 23.6%, commencing 1 September 2019. The employers' pension contribution pressure is £1.6m for 2019-20 and £3.2m over the term of the MTFP 2019-20 to 2022-23.

Any increases in national pay awards and employers contributions (Schools and non-Schools) over and above that budgeted will cause additional financial pressure unless fully funded by Welsh Government.

The UK Government have provided Welsh Government with additional funding which is being passported to the Local Authorities and the Schools.

- **In Year Pressures (Including Brexit)**

During 2018-19, an in year pressure of £0.9m materialised in respect of Out of County Placements, with the full annual pressure to be felt in 2019-20. During 2018-19, Allied Healthcare experienced serious financial difficulties, resulting in the Council having to provide continuing healthcare to clients at a cost of £0.3m for 2019-20.

The impact of Brexit on the Council is unknown but there is a significant risk that depending on the decision made by UK Government, the Council could incur additional costs and disruption through trading tariffs, increased prices, limited stocks etc. Work is ongoing to review the Business Continuity Plan for each service to ensure all eventualities are considered and mitigating actions put in place.

Whilst it is anticipated that there could be funding made available by the UK or Welsh Governments, there is currently no clarity on amounts or timescales, with the exception of £45k per Local Authority to cover the cost of a post to assist with the preparations.

A contingency of £1m has been built into the 2019-20 budget, however, there is a risk that it may be insufficient to mitigate the challenge of funding unforeseen and unplanned budget pressures materialising in year, funding any impacts resulting from Brexit and failure to deliver all the cost reductions/efficiencies (£1.6m are RAG rated red). A contingency of £2.2m was deemed prudent by the Director of Resources but Cabinet resolved that £1m was sufficient.

- **Council Tax Collection**

The Council has always had an extremely good collection rate, often the best in Wales. For 2018-19 the collection rate for the first six months of the year was 0.38% less than in 2017-18, with October being 0.40% less, November 0.42% less, December 0.75% less and January 0.55% less. However, this trend had changed by the year end due to more customers paying their Council Tax over 12 months. Due to the collection rate for the first six months of 2018-19, the collection rate used for the Council Tax Base for 2019-20 was set at 97.25% (98.00% for 2018-19).

There is a risk that 2nd Home Owners leave the Council Tax regime and revert to NNDR thus depriving the Council of Council Tax income. The Council is compensated by Welsh Government for this and as the Council's Band D Council Tax is below CTSS (Council Tax for Standard Spending), it actually benefits, however, the Council does lose out on the 50% premium for 2nd Homes.

- **Council Tax Reduction Scheme (CTRS)**

The £244m to fund the CTRS in 2018-19 was maintained by Welsh Government for 2019-20, but as this has remained static since the creation of CTRS, it is effectively an annual reduction. Pembrokeshire's share of the £244m has increased from 2.9% to 3.0%, from £7.077m to £7.385m, for 2019-20, however, this does not cover the Council's annual expenditure of £8.5m (2018-19 outturn) or £9.5m (2019-20 budget) and any consequential increase in CTRS payments, as a result of increased claimant caseload or higher Council Tax levels, have to be absorbed by the Council.

- **Grant Funding**

The allocation of grant funding on an all Wales basis was shown at Appendix B of the "Final Local Government Settlement for 2019-20" report to Cabinet on 14 January 2019. The full impact of individuals grants, positive or negative, is not yet known albeit there is always the risk of significant reductions in some areas. Any reduction in grant funding will be particularly challenging for those services reliant on it, especially when they will have already had a flatline budget or have been asked for an 8% reduction in their net controllable budgets for 2019-20. When grant notifications are received just before, or during the financial year, it leaves little or no time to make alternative service arrangements.

- **Reducing Workforce**

The cost of the workforce is the single biggest cost incurred by the Council and therefore, in order to bridge its projected funding gap over the period of the MTFP 2019-20 to 2022-23, it is inevitable that it will have to reduce its workforce. There will be some reduction in workforce associated with the £16.1m cost reductions/efficiencies for 2019-20, albeit it is anticipated that these numbers will be limited. As in previous years, Schools are the service most likely to be at risk of having to reduce their workforce and for 2018-19, there was an overspend of £658k due to the increased costs of implementation. Increasing the current £1.1m contribution (top-slice) from the overall Individual Schools budget to fund the potential risk for 2019-20 would appear to be a prudent option and this has been included in the budget, however, any additional contribution would reduce the funding allocated to Schools, potentially forcing them to cut their workforce, thus proving counter-productive.

During 2018-19, the Council's Establishment Control Transformation work stream has introduced a number of initiatives aimed at reducing the Council's workforce in a voluntary manner:

- Voluntary Early Retirement Scheme for over 60's
- Voluntary Early Retirement Scheme for over 55's (introduced after the conclusion of the initial over 60's exercise)
- Voluntary Severance Scheme for all staff that have a minimum of two years local government qualifying service

As the initiatives are part of the Council's Transformation Programme and will result in reduced future revenue costs and/or transform service delivery, a capitalisation directive will be used to capitalise the retirements/redundancies, funded by capital receipts. £6m has been earmarked for this purpose over the MTFP 2019-20 to 2022-23. As capital receipts will be used for this purpose, and not funding the Council's capital programme, this will result in additional prudential borrowing and higher capital finance charges (revenue).

- Strategic Workforce Planning – Creation of a team looking to redeploy and retrain existing staff into vacant posts, thus reducing the number of new staff required by the Council and the avoidance of potential redundancy costs.

There is a budget of £335k for 2019-20 to cover the costs of the team and any retraining required, with projected savings to the Council over the period of the MTFP 2019-20 to 2022-23 of up to £5m if it proves successful.

- **Capital Financing Costs**

The Council's significant capital programme over recent years and looking forward into the future will mean that prudential borrowing is required in order to fund it. The MTFP 2018-19 to 2021-22 contained an annual pressure circa. £1.5m which resulted in consideration of whether the capital programme was affordable with the serious and continuous pressure on the revenue budget.

The capital financing costs outturn for 2018-19 was £10.3m with the annual cost projected to rise to more than £16m over the MTFP 2019-20 to 2022-23 if the proposed capital programme is to be fully funded. The ongoing pressure is not deemed sustainable or affordable if the Council is to bridge the projected funding gap over the period of the MTFP, so the Cabinet Member for Finance and Director of Resources believe a capital financing costs cap of £14m per annum is required. This will result in circa. £30m of projects in the proposed capital programme being unaffordable and having to be removed. All projects will be subject to a revised and robust capital bidding and approval process.

1.5.5 Opportunities

- **Council Tax 2nd Homes Premium** - During 2017-18, a 2nd Homes Council Tax Premium of 50% was introduced and this generated an additional £1.86m in Council tax Income. 50% will be used to provide affordable housing with the remainder being used to fund the Enhancing Pembrokeshire Grant Scheme, which aims to assist communities in addressing the problems associated with having a high percentage of second homes.

- **Long Term Empty Properties Premium** – On 19 October 2017, Council resolved to introduce a premium for properties that have been unoccupied and unfurnished for more than three years from 1 April 2016. From 1 April 2019, the Council Tax premium will be 25% for properties empty for three years or more..
- **Swansea Bay City Region Deal** - The Council is a partner in the Swansea Bay City Region Deal, “The Internet Coast”. The City Deal bid is designed to address the underperformance in the regional economy. If successful, the bid could involve the Council in additional prudential borrowing over the 15 year programme, with capital being repaid by Welsh Government and the Council being responsible for the interest. The Leader of the Council has made it clear that he would expect bodies who will benefit from the projects to be responsible for funding the interest, and not the Council
- **Capital Programme** - The Council continues to maintain a significant capital programme, subject to the capital financing costs cap of £14m per annum. This includes the £106.4m^{21st} Century Schools Band B programme and the £20m capital fund for regeneration. Individual capital projects are now subject to Cabinet approval of the concept and a detailed business case.
- **Housing Revenue Account (HRA)** - The Housing Revenue Account (HRA) Business Plan incorporates the financial strategy and planning for the Council’s housing stock for the next 30 years. The Business Plan 2019-49 was submitted to Welsh Government by the end of March 2019 in order for the Council to claim the circa. £4.0m Major Repairs Allowance (MRA) grant for 2019-20. The phased harmonisation of rent levels between local authorities and social landlords (target rents), the de-pooling of costs from rents (service charges) combined with the ongoing benefits from the HRA subsidy system exit in April 2015 has provided the Council with additional resources to enable it to maintain the Welsh Housing Quality Standard (WHQS), continue to invest in and improve its housing service provision and from 2019-20 start to build additional Council houses.

1.6 STRATEGY AND RESOURCE ALLOCATION

1.6.1 Standard Spending Assessment (SSA) – 2018-19

For 2018-19, Pembrokeshire continued to have the largest shortfall between its actual spending and what Welsh Government predicted it needed to spend to deliver its services, its SSA. In calculating the Aggregate External Finance (AEF), Welsh Government assume that Council Tax is collected at the same level for every Authority. The Welsh average Band D Council Tax for 2018-19 was £1,219 (Council Tax for Standard Spending CTSS £1,170), significantly higher than Pembrokeshire at £993.54. The Welsh Government 2018-19 SSA for Pembrokeshire was £226.403m. The Council’s net expenditure budget for 2018-19 was £215.539m, £10.864m less than SSA, albeit an improvement on the £14.80m less than SSA for 2017-18. For 2019-20, the Council’s net expenditure budget is £10.268m less than SSA.

1.6.2 Council Tax - 2018-19

The Council continued to have the lowest Council Tax (Band D) in Wales for 2018-19 at £993.54, despite the largest Council Tax increase of 12.5%. The Council Tax (Band D) of all other Welsh Local Authorities for 2018-19 ranged from £1,057 to £1,571 with the average being £1,219. Despite a Council Tax increase of 9.92% for 2019-20, the Council will still have the lowest Council Tax (Band D) in Wales.

1.6.3 Cumulative Funding Gap - 2014-15 to 2018-19

The funding gap of £68.6m for the period 2014-15 to 2018-19 was bridged by a combination of £52.6m of cost reductions/efficiencies, £14.7m in additional income from Council Tax increase (including base changes), a £0.6m contribution from the Council Tax 2nd homes income (community element)* and a £0.7m one-off contribution from the Social Services equalisation reserve**.

*Due to challenges in achieving the cost reductions/efficiencies during 2017-18, the contribution from the Council Tax 2nd homes income (community element) was increased to £0.87m and ** Social Services only required £0.36m of the one-off contribution for 2018-19.

1.6.4 Corporate and Financial Planning Timetable

The Corporate and Financial Planning Timetable for 2017-18 was introduced to align the corporate and financial planning processes and this continued for 2018-19. For 2019-20, a Financial Planning Timetable for 2019-20 was approved by Cabinet on 21 May 2018. The Corporate Planning Timetable for 2019-20 was to be aligned to the Financial Planning Timetable to ensure the Corporate Plan (including Wellbeing Objectives) was approved prior to the 2019-20 budget, however, this did not happen. We plan to revert back to the Corporate and Financial Planning Timetable for 2020-21 in order to re-align the corporate and financial planning processes.

1.7 PERFORMANCE (FINANCIAL AND CORPORATE)

1.7.1 Revenue Outturn 2018-19

The revenue outturn financial position confirms the Council's net expenditure for 2018-19 at **£217.9m**, having taken into account appropriations to and from reserves, and is broadly in line with the original budget. The P9 projected outturn position was recovered due to additional end of year grant funding from Welsh Government and a successful moratorium on non-essential expenditure.

	P9 Rolling Budget	P9 Projected Outturn	Actual Outturn
	2018-19	2018-19	2018-19
	£m	£m	£m
Gross Expenditure	346.5	349.5	346.5
Income	(134.8)	(136.4)	(138.3)
Contribution to / (from) Reserves	3.8	2.9	7.9
Net Expenditure	215.5	216.0	216.1
Second Home Contribution to / (from) Reserves	1.9	1.9	1.9
Total Net Expenditure	217.4	217.9	217.9

Late notification of grant funding by Welsh Government/Public Agencies required substitution of expenditure, with additional funding capacity being rolled forward to 2019-20 to comply with grant conditions, to maximise resources and ensure they remain earmarked for their specific purpose. This had the effect of reducing core revenue budget costs during 2018-19 and increasing earmarked reserves.

The Directorate revenue budgets has been given a RAG rating in terms of their 2018-19 year-end outturn position:

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

The table below shows the outturn position compared to the Period 9 projected outturn position at a Directorate level. The outturn position is shown after appropriations to/from reserves at the year end.

Revenue Account	2017-18 Actual Outturn £000	2018-19						RAG Rating
		Estimate		Actual				
		P9 Rolling Budget £000	P9 Projected Outturn £000	Gross Expend £000	Income £000	Cont'n to/(from) Reserve £000	Net Expend £000	
Education Services	87,517	87,491	89,071	108,559	(21,521)	2,141	89,179	
Social Care - Children's Services	12,697	13,420	13,246	17,723	(4,484)	69	13,308	
Social Care - Adult Services	47,894	51,581	50,960	75,088	(23,218)	(173)	51,697	
General Fund Housing	1,027	1,115	1,109	36,809	(35,825)	53	1,037	
Council Housing	-	-	-	18,571	(24,326)	5,755	-	
Highways & Transportation Services	7,713	8,205	8,104	19,596	(11,408)	128	8,316	
Culture & Related Services	6,632	5,928	5,943	11,366	(5,363)	190	6,193	
Planning Services	1,773	1,727	1,882	5,764	(3,898)	52	1,918	
Environmental Services	11,033	13,690	13,680	17,820	(5,712)	917	13,025	
Other Central, Corporate & Democratic Services	5,602	5,908	5,983	8,633	(1,964)	(1,064)	5,605	
Council Tax Reduction Scheme	7,682	8,643	8,563	8,528	-	-	8,528	
Court Services	304	267	326	368	(34)	-	334	
Second Home Council Tax (Community)	(871)	-	-	-	-	-	-	
Affordable Housing Scheme*	871	950	950	22	-	908	930	
Contributions to Community*	871	950	950	149	-	781	930	
Net Cost of Services	190,745	199,875	200,767	328,996	(137,753)	9,757	201,000	
Levies	7,222	7,397	7,397	7,332			7,332	
Net Investment Income / Capital Financing Costs	8,537	10,167	9,813	10,160	(580)		9,609	
Total	206,504	217,439	217,977	346,488	(138,333)	9,757	217,941	
Financed By:								
Revenue Support Grant and Special Grant	(116,466)	(121,740)	(121,740)	-	(121,740)	-	(121,740)	
NNDR	(40,310)	(40,034)	(40,034)	-	(40,034)	-	(40,034)	
Council Tax	(47,986)	(53,765)	(53,765)	-	(54,307)	-	(54,307)	
Second Homes Premium Council Tax*	(1,742)	(1,900)	(1,900)	-	(1,860)	-	(1,860)	
	(206,504)	(217,439)	(217,439)	-	(217,941)	-	(217,941)	

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

All service specific issues and commentary are shown in the County Council Budget Outturn Monitoring Report as reported to Cabinet 13 May 2019. Since this date, there have been some minor amendments made.

1.7.2 Cost Reductions/Efficiencies 2018-19

Cost reductions/efficiencies of £10.0m (£8.7m +£1.3m slippage) were agreed by Council on 8 March 2018 as part of the approval of the revenue budget for 2018-19. An additional £1.6m (net) of non-achieved cost reductions/efficiencies from 2017-18 were added to give a revised figure of £11.6m.

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

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

The table below shows the agreed cost reductions/efficiencies at a Directorate level along with details of achievement and the RAG rating at the end of 2018-19.

Directorate Cost Reduction/Efficiency:	Planned	Achieved	Variance
	£000's	£000's	£000's
Education Services	2,553	2,499	54
Social Care – Children	171	171	0
Social Care – Adults	3,876	2,967	909
Housing General Fund	89	64	25
Highways & Transportation Services	509	508	1
Culture & Related Services	861	776	85
Planning & Development Services	403	239	164
Environmental Services	458	306	152
Other Central, Corporate & Democratic Services	2,685	2,160	525
Sub Total Cost Reductions/Efficiencies 2018-19	11,605	9,690	1,915
Council Tax Additional Income	5,700	5,700	
Contribution from Reserve	700,	359	
Total 2018-19	18,005	15,749	

On the whole good progress was made during the year in meeting the cost reduction/efficiency targets with 83.5% being achieved. The £1.915m cost reductions/efficiencies not achieved in 2018-19 will be rolled forward to 2019-20.

1.7.3 Council Housing (Housing Revenue Account)

The final outturn position for 2018-19 is shown in the table below.

Housing Revenue Account	2017-18 Actual Outturn £000	2018-19		
		Original Estimate £000	P9 Projected Outturn £000	Actual Outturn £000
		Income		
Rents - Dwellings	(21,571)	(22,757)	(22,730)	(22,860)
Other	(1,541)	(1,360)	(1,295)	(1,466)
Total Income	(23,112)	(24,117)	(24,025)	(24,326)
Expenditure				
Management & Maintenance	11,815	13,469	13,431	13,554
Appropriations to Capital Reserves	5,158	4,116	4,079	5,478
Capital Financing Costs	5,593	6,074	6,059	5,019
Other	546	458	456	275
Total Cost	23,112	24,117	24,025	24,326

The Housing Revenue Account working balance remains unchanged at £752,000. Rents were increased by 4.5% (CPI 3.0% plus 1.5%) plus £0.60 per week for 2018-19, subject to the rent levels being below target rent.

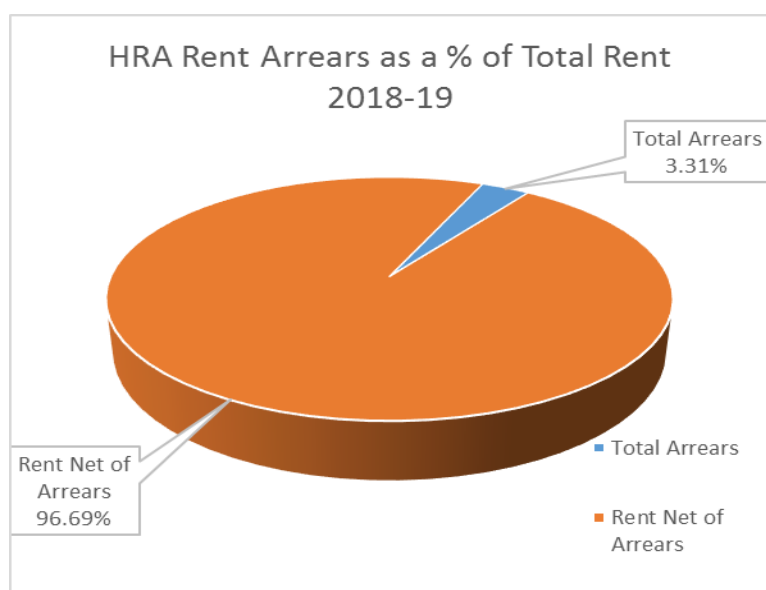
The 30 year HRA Business Plan (BP) is revised annually and submitted to Welsh Government in support of the bid for Major Repairs Allowance (MRA) Grant. This is required to maintain the Welsh Housing Quality Standard (achieved March 2013) and undertake further improvements. The BP is predicated on the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

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

In 2018-19 the WG target rent tables for the Pembrokeshire area increased by 5%, therefore the authority had to apply an element of transitional increase to maintain the number of properties at target rent

After applying inflationary increases to rent, Tenants whose rent fell below target rent levels were charged up to an extra £0.60 per week. Whilst generating additional rental income for the Authority, this has the potential to have a significant impact on Tenants and their ability to pay their rent. This situation will continue in the medium term due to the large number of properties below target rent and the expected length of time for all properties to harmonise with the target rent levels.

Rent arrears for current tenants at the end of 2018-19 were £0.758m, an increase of 0.116m for the 2017-18 year end position. This represents 0.33% increase in arrears, as a percentage of total rent income. This is a smaller increase than anticipated due to efficient collection processes and the delay in the full roll out of Universal Credit in Pembrokeshire in 2018-19. In addition the effects of Welfare Benefit reform the continued effect of increases in rent levels during the transition to WG target rent levels will affect tenants' ability to pay in the long term, and this is something which is being monitored closely.



Service charges are 'de-pooled' from rent for all required areas, with grounds maintenance charges being excluded from the process in Pembrokeshire following in depth analysis of the cost/benefit analysis of doing so. Assumptions on expected service charge income streams are included within the HRA Business Plan submitted for MRA purposes.

1.7.4 Capital Outturn 2018-19

The Council's actual capital expenditure for 2018-19 was £51.440m against a rolling budget of £64.822m, as shown in the table below. Each element of the capital programme, at both a Directorate and individual project level, has been given a RAG rating based on detailed criteria not replicated in this narrative report.

	2018-19		% Actual Outturn to Rolling Budget	2019-20
	Rolling Budget	Actual Outturn		Original Estimate
	£000	£000		£000
Expenditure				
Education (excluding 21st Century Schools Programme)	1,783	1,565	88%	5,282
Social Care	399	394	99%	100
Highways & Transportation	9,047	7,173	79%	5,795
Housing - H.R.A.	14,245	13,806	97%	20,339
Housing – General Fund	2,288	2,245	98%	2,069
Culture & Related Services	2,832	1,964	69%	1,400
Planning & Development	5,992	3,725	62%	20,489
City Deal	-	-	0%	22,625
Environmental	2,690	2,900	108%	8,002
Corporate	4,709	1,806	38%	4,225
Core Programme	43,985	35,578	81%	90,326
21st Century Schools Programme	20,837	16,147	77%	7,881
Total Expenditure	64,822	51,725	80%	98,207
Financing				
Capital Grants & Contributions	32,654	29,375		24,626
Capital Receipts & Capital Fund	12,382	10,980		11,036
Earmarked Reserves	5,757	3,996		6,825
Borrowing	14,030	7,374		55,720
Total Financing	64,822	51,725		98,207

The original capital investment programme for 2019-20 and indicative programme for 2020-21 was approved by Council on 21 February 2019 in the sums of £98.2m and £99.8m respectively. All capital projects will be reviewed to assess their current costs and progress and the approved programme will be amended to reflect the following changes:

- Where projects in 2018-19 have not been completed by 31 March 2019, the resource may be rolled over to 2019-20;
- The approval and amendment of capital grant assumptions made during the budget cycle;
- The re-phasing and re-profiling of expenditure on certain projects;
- The deletion of projects no longer required; and
- The inclusion of new projects of a high priority.

1.7.5 Revenue Collections 2018-19

Final cash collection figures to 31 March 2019 along with comparative figures for 2017-18 are shown below. Each of the revenue cash collections have been given a RAG rating of performance:

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

1.7.5.1 Council Tax

Cash collected to 31 March 2019 was £61.79m against a collectable debit of £63.07m. This represents an in year collection rate of 97.97%, which was lower than the 2017-19 collection rate of 98.29%. It is anticipated that the collection rate will remain one of the best in Wales for the sixth successive year.

1.7.5.2 2nd Homes Council Tax

2018-19 was the second year of the 2nd Home Council Tax Premium. £1.86m cash was collected in 2018-19 compared to £1.74m for 2017-18.

1.7.5.3 Business Rates (NNDR)

Cash collected to 31 March 2019 was £52.86m against a collectable debit of £54.09m. This represents an in year collection rate of 97.72% which was slightly lower than the 2017-18 collection rate of 98.81%.

March	2018-19				2017-18
	Amount Due £m	Amount Collected £m	%	RAG Rating	%
Council Tax	63.07	61.79	97.97	Amber	98.29
NNDR	54.09	52.86	97.72	Amber	98.81

1.7.5.4 Housing Rents

Current tenant rent arrears to 31 March 2019 were £757,582, compared to £642,389 at 31 March 2018.

Rent Arrears	2018-19 £	RAG Rating	2017-18 £
March	757,582	Amber	642,389

All cases with arrears are monitored on a weekly basis and are subject to recovery proceedings appropriate to the level of arrears. This will continue. Additional measures have been taken to secure an initial direct payment for new Universal Credit cases. Pembrokeshire became a full Universal Credit area on 5 September 2018 and the impact of this is being monitored closely.

1.7.6 Useable (earmarked) Reserves 2018-19

A summary of the Council's useable reserves as at 31 March 2019 is shown in the table below:

EARMARKED RESERVES	Opening Balance 31 March 2018 £000	Net In Year Movement £000	Balance 31 March 2019 £000
Working Balance - General Fund	(7,000)	-	(7,000)
Working Balance - HRA	(752)	-	(752)
Earmarked Reserves	(39,825)	2,145	(37,680)
Schools ISB Balances	(1,782)	(743)	(2,525)
Other School Related (including PFI)	(3,316)	(374)	(3,690)
Capital Receipts, Grants and Contributions Reserve	(4,887)	(6,009)	(10,896)
TOTAL USABLE RESERVES	(57,562)	(4,981)	(62,543)

Additional grant income of £3.152m was received late in the financial year. Of this total £0.860m was allocated to schools delegated budgets. This additional resource significantly reduced the pressure on the revenue budget. Whilst generally we were not accounting for grant income during the year until receipt was confirmed, it is evident that some directorates were anticipating additional grants.

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

1.7.7 Treasury Management Indicators 2018-19

The Council’s Treasury Management Strategy and Investment Strategy for 2018-19 were approved by Council on 8 March 2018 and updated and approved by Council on 21 February 2019. Treasury Management Indicators should always have a RAG rating of Green – “compliance with agreed limits and indicators”. During 2018-19, there was full compliance and all RAG ratings were Green, no exceptions.

Borrowing transactions were within approved limits and all investments met the credit worthiness criteria at the date of deposit during the year ended 31 March 2019.

- External borrowing increased from £200.63m to £204.83m
- Average investment portfolio was £44m with Investment Income of £0.34m
- The total amount of investments held at the 31 March 2019 was £51.06m

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

	Projected Balance 31/03/2019 £m	Actual 31/03/2019 £m
Capital Financing Requirement		
General Fund	168.5	161.8
HRA	75.1	74.3
Total Capital Financing Requirement	243.6	236.1
External Debt		
Gross Borrowing	203.9	204.8
Other Long Term Liabilities	6.6	6.6
Total Gross External Debt	210.5	211.4

HRA MRP will move to 2% reducing balance from 2019-20 in line with the General Fund.

1.7.8 National and Local Performance Data 2018-19

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

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

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

Well-being Goal	Total Measures	Measures per RAG Rating	RAG Rating
A prosperous Wales	3 (Qtrly) 33 (Yrly)	11 11 11 3	Green Amber Red NA
A resilient Wales	5 (Qtrly) 1 (Yrly)	4 2 0 0	Green Amber Red NA
A healthier Wales	13 (Qtrly) 15 (Yrly)	11 10 2 5	Green Amber Red NA
A more equal Wales	3 (Qtrly) 2 (Yrly)	5 0 0 0	Green Amber Red NA
A Wales of cohesive communities	5 (Qtrly) 9 (Yrly)	5 3 3 3	Green Amber Red NA
A Wales of vibrant culture and thriving Welsh language NB all measures reported annually	6 (Yrly)	3 0 1 2	Green Amber Red NA
A globally responsible Wales NB all measures reported annually	2 (Yrly)	1 0 1 0	Green Amber Red NA
Total	29 (Qtrly) 68 (Yrly)	38 24 18 17	Green Amber Red NA

1.8 OUTLOOK

1.8.1 Projected Funding Gap 2019-20

The forward planning assumptions in the Medium Term Financial Plan (MTFP) 2018-19 to 2021-22, approved by Council on 21 February 2019, were overtaken by a significant increase in workforce inflation, non-workforce inflation, demographic and legislative pressures. Providing healthcare to clients following the restructure of Allied Healthcare and the provision of a contingency to mitigate against the uncertainty over the impact of Brexit, the significant risk of unforeseen and unplanned budget pressures materialising in year and the ongoing challenges in achieving all targeted cost reductions/efficiencies have increased the pressure. When combined with the increase of 0.2% in the Final Local Government Settlement (when adjusted for transfers into the settlement and Council Tax base changes), it resulted in a funding gap of £21.4m for 2019-20.

For 2019-20, the Individual Schools Budgets (ISB) and Social Services have been required to contain all inflationary, demographic and legislative pressures at their 2018-19 original budget level (flat-line budget)*. All other services** have been required to identify cost reductions/efficiencies totalling 8% of their controllable net expenditure budget for 2019-20. For 2020-21 onwards, it is

proposed to make the 2019-20 original budget level the base budget for the future so that all services are required to contain all inflationary, demographic and legislative pressures (flat-line budgets).

This strategy assumes that the combination of AEF and Council Tax will be sufficient to fund the base budget. Any additional AEF or Council Tax generated would be needed to fund annual increases in budgets such as the Council Tax Reduction Scheme, levies and capital financing costs. Any surplus could be distributed to services, following Cabinet approval of bids for growth in budgets.

*The ISB flat-line budget has increased by £0.5m for 2019-20 due to funding from Welsh Government for the National Pay Award being passported to Schools.

** ICT protected from identifying cost reductions and efficiencies for 2019-20.

1.8.2 Projected Funding Gap 2019-20 to 2022-23

The MTFP 2019-20 to 2022-23, approved by Council on 21 February 2019, details a projected funding gap of £52.5m based on a prudent assumption of a flatline 0% AEF for 2020-21 to 2022-23 (previously 1.5% annual reduction).

1.8.3 Projected Funding Gap 2019-20 to 2022-23 (Most Likely Scenario)

Pressures	18-19 £m	19-20 £m	20-21 £m	21-22 £m	22-23 £m
Movement in Aggregate External Finance (AEF)*	(5.0)	(0.7)	0.0	0.0	0.0
Transfers into the AEF	4.0	0.0	0.0	0.0	0.0
Workforce and Pay	4.1	4.6	2.0	2.6	2.1
Inflation/Other	1.0	1.8	1.2	0.5	0.5
Contingency	0.0	1.0	0.0	0.0	0.0
Contracts	2.3	3.1	1.8	1.8	1.8
Demographics	2.7	2.0	1.5	1.3	1.3
Cost Reduction Slippage from Previous Year	1.3	2.2	0.0	0.0	0.0
Individual School Budget (ISB)	3.0	5.0	2.3	1.9	1.8
Council Tax Reduction Scheme	1.3	0.9	0.8	0.8	0.9
Capital Financing Costs	1.5	1.3	0.4	1.5	1.7
Levies	0.2	0.2	0.2	0.2	0.2
Projected Funding Gap	16.4	21.4	10.2	10.6	10.3
Projected Funding Gap for MTFP			52.5		

*0% for 2020-21 to 2022-23

1.8.4 Council Tax – 2019-20

The Council continued to have the lowest Council Tax (Band D) in Wales for 2018-19, despite the largest Council Tax increase of 12.5%. Having the lowest Council Tax (Band D) means that any Council Tax % increase in Pembrokeshire generates less than the equivalent increases in other Welsh Local Authorities. The Council Tax increase of 9.92% for 2019-20, approved by Council on 21 February 2019, will generate an additional £5.3m and was a positive step in providing the additional income needed to sustain and protect local services and move the Council towards the average Council Tax (Band D) level for Wales. The 9.92% increase in Council Tax for 2019-20 still means that Pembrokeshire has the lowest Council Tax (Band D) in Wales..

1.8.5 Council Tax – 2020-21 to 2022-23

The MTFP 2019-20 to 2022-23 assumes a Council Tax (Band D) increase of £1.76 per week for 2020-21, £1.80 per week for 2021-22 and £1.88 per week for 2022-23, albeit the actual Council Tax increase is an annual decision of Council

1.8.6 Standard Spending Assessment (SSA) for 2019-20

The Welsh Government SSA 2019-20 for Pembrokeshire was £231.734m. The 9.92% increase in Council Tax resulted in the Council having a net expenditure budget of £221.466m for 2019-20, £10.268m less than SSA, albeit an improvement on the £10.864m less than SSA for 2018-19 and £14.80m less than SSA for 2017-18.

1.8.7 Cost Reductions/Efficiencies 2019-20

The Council will aim to bridge some of the projected £21.4m funding gap for 2019-20 and the projected £52.5m funding gap for the MTFP 2019-20 to 2022-23 through cost reductions/efficiencies. Of the £16.1m of planned cost reductions/efficiencies identified for 2019-20, £1.6m (10%) are RAG rated red meaning their deliverability or achievability will be challenging, with £9.5m (59%) RAG rated amber and £5.0m (31%) RAG rated green. For the purposes of the MTFP, and in the interests of prudence, it has been assumed that 20% of the planned cost reductions/efficiencies will not be achieved during 2020-21 to 2022-23

1.8.8 Bridging the Funding Gap 2019-20 to 2022-23

The following table shows how the projected funding gap 2019-20 to 2022-23 will be bridged and assumes:

- An increase in Council Tax of £1.89 per week (9.92%) for 2019-20, £1.76 per week for 2020-21, £1.80 per week for 2021-22 and £1.88 per week for 2022-23
- Only 80% of the planned cost reductions/efficiencies will be achieved during 2020-21 to 2022-23.

Bridging the Funding Gap Summary	18-19 £m	19-20 £m	20-21 £m	21-22 £m	22-23 £m	Total £m
Projected Funding Gap	16.4	21.4	10.2	10.6	10.3	52.5
Council Tax (Assuming no increase in Council Tax Base 20-21 to 22-23)	5.7	5.3	5.0	5.1	5.3	20.7
Cost Reductions/Efficiencies Identified	<i>10.0</i>	<i>16.1</i>	<i>11.2</i>	<i>9.5</i>	<i>9.4</i>	<i>46.2</i>
80% Achievable - 2020-21 to 2022-23	10.0	16.1	9.0	7.6	7.5	40.2
One-Off Contribution from Reserve	0.7	0.0	0.0	0.0	0.0	0.0
Total	16.4	21.4	14.0	12.7	12.8	60.9
Surplus/(Shortfall)	0.0	0.0	3.8	2.1	2.5	8.4

As a surplus is predicted over the term of the MTFP 2019-20 to 2022-23, the level of cost reductions/efficiencies required could be reduced or the level of Council Tax increase reduced, however, **caution should be exercised** in this regard until the recalculation of the projected funding gap for flat-line budgets (services) and the cost reductions/efficiencies required to bridge them has been completed

1.8.9 Use of Earmarked Reserves

The use of earmarked reserves is governed by the Strategy for Holding and Utilising Reserves, approved by Council on 10 March 2016. Whilst we planned to use £0.7m of earmarked reserves to bridge the funding gap for 2018-19, only £0.36m was required. This was a one-off and it is not anticipated that any earmarked reserves will be used to bridge the projected funding gap over the MTFP.

1.8.10 Council Fund Working Balance

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

1.9 BASIS OF PREPARATION AND PRESENTATION

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

1.10 POST BALANCE SHEET EVENTS

Any events taking place between 30 May 2019 and 18 July 2019, the date the audited Statement of Accounts will be authorised for issue by the Director of Resources will be reported to and approved by Full Council.

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

**Jonathan Haswell FCCA
Director of Resources**

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Pembrokeshire County Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Pembrokeshire County Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Anthony J Barrett
For and on behalf of the Auditor General for Wales
2019

24 Cathedral Road
Cardiff
CF11 9LJ

3.0 STATEMENT OF ACCOUNTS

3.1 STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required:

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

The Director of Resources' Responsibilities

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

In preparing this Statement of Accounts, the Director of Resources has:

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

The Director of Resources has also:

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

CERTIFICATE OF DIRECTOR OF RESOURCES

The Statement of Accounts of the Pembrokeshire County Council for the year ended 31 March 2019 is contained within Sections 4-14, and is produced in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended). The Regulations prescribe the contents of the Statement of Accounts and it is upon the contents only that the Audit opinion is expressed.

I certify the accounts present a true and fair view of the financial position of Pembrokeshire County Council as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019 and append my signature to the Statement in accordance with Regulation 10(1).

J HASWELL FCCA
Director of Resources

Date: 18 July 2019

REPORTING AND APPROVAL

These accounts, initially published on 30 May 2019, were reported to Full Council for approval following the conclusion of the Annual Audit on 18 July 2019. The audit certificate is shown in section 2.0.

Chairman of Council

Date: 18 July 2019

4.0 CORE FINANCIAL STATEMENTS - UNDERLYING PRINCIPLES

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

4.1 FINANCIAL REPORTING STANDARDS

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

- The Council adopted IFRS 9 Financial instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and measurement of financial assets and the earlier recognition of the impairment of financial assets.
- The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the re-measurement is instead shown in the Movement in Reserves Statement.

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. There is one key change to accounting standards that will impact on the Authority over the next three years.

- IFRS 16 leases, effective 2019-20, will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.
- The Accounts and Audit (Wales) Regulations 2014 amended by SI 2018 No 91 requires Welsh Local Authorities to bring forward the accounts closure and publication timetable. The regulations require signing, approval and publication to take place by 31 July from 2021. The Authority has been producing its Statement of Accounts earlier than current regulations require, for several years.

The Statement of Accounts set out within Sections 4-14 have been prepared in compliance with the 2018-19 Code of Practice on Local Authority Accounting.

5.0 ACCOUNTING CONCEPTS

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

- Accruals basis
- Going concern

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

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

6.0 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND ESTIMATION RISK

In applying the accounting policies set within note 8, the Council has made judgements about the complex transactions and those involving uncertainty in future years.

- Although there is a high degree of uncertainty about the future level of funding for local government, there is insufficient evidence to conclude that any assets of the Council may be impaired as a result.
- In certain instances it has been necessary to estimate the charges made in the accounts using historical experience, current trends etc. Actual results may be different from the assumptions made and consequently may affect the charges made in future years' accounts.
- A planned investment of £106.4m for the 21st Century Schools Band B Programme has been agreed in principle by Welsh Government, for the period 2019-20 to 2024-25. The requirement to find a maximum of £37.2m match funding remains a key issue. The original intervention rate of 50% was increased to 65% in November 2018, with an intervention rate of 75% for special need provision.
- The Swansea Bay City Region Deal involving Pembrokeshire County Council, Carmarthenshire County Council, Neath Port Talbot County Council and Swansea City Council was signed by the UK Prime Minister on 20 March 2017. It involves £1.3bn of private and public investment to be spent over 15 years. The actual contribution from Pembrokeshire County Council has yet to be confirmed, and requires Full Council ratification
- The Annual Council meeting on 25 May 2017 resulted in the appointment of a new Leader and Cabinet. The Leader was reappointed for a further 2 year term at the annual Council meeting on 11 May 2019. The Cabinet have now issued a Programme for Administration which will influence the future MTFP and budget setting strategies for the Authority. The Authority has decided that all revenue budgets will be flat-lined (cash) from April 2020, with services being invited to bid for inflationary pressures and growth.
- £532k of joint venture receipts held by Pembrokeshire County Council, previously earmarked for the development of South Quay, is the subject of ongoing discussions with Welsh Government regarding future development of the site and may need to be repaid.
- A £20m capital fund for regeneration has been created, but whilst in the approved capital programme, it will be subject to the same affordability criteria as all other capital projects. The Council has introduced a policy to cap its overall capital financing costs at £14m per annum to ensure future affordability of the capital programme.
- The Cleddau Bridge tolls ceased from 28 March 2019, with Welsh Government offering a £60m compensation grant over 20 years in addition to the reimbursement of remodelling infrastructure costs and staff redundancy/severance payments. The grant does not recognise inflationary risk over time. Discussions are ongoing between the Council and Welsh Government on the finer details of the grant offer.
- During the year the Authority's HRA purchased £5.12m of land and property from its Council Fund for the purposes of building new Council housing. The properties were independently valued by the District Valuer and transactions were recorded through the approved HRA Capital Programme, funded from the HRA Capital reserve.

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

Issues appertaining to items in the current set of accounts:		
Item	Risk	Potential Affect
Contractual Obligations	Incorrect quantification and legal challenge	Additional charge to taxpayer at future date
Provisions	Quantification incorrect	Additional charge to taxpayer at future date
21 st Century Schools (Band A & Band B)	Incorrect cost assumptions Interest rate increases above LGBI rates (Band A)	Increased contractual costs Increased debt charge resulting in additional charge to taxpayer
Non-Current Assets	Useful Life	Incorrect depreciation charge
Pension Liability	Actuarial assumptions incorrect	Increased Employer contributions at future date / additional charge to taxpayer at future date
Welfare Reform Act	Assumptions incorrect	Increased service costs including bad debts
Demographic changes	Assumptions incorrect	Increased service & contractual costs
Grant Funding	Loss of grant from Welsh Government & Europe	Reduction in service provision
Governance	Decisions not made or not made in timely manner	Budget over / under spends & loss of grant funding
Contractual Arrangements	Large private sector organisation going into Administration.	Delays to service provision and increased cost.
Transformation / Alternative Service Delivery	Changed ways of working do not deliver assumed financial savings	Budget over / under spend Separate accounting arrangements

Issues potentially impacting the accounts in the future:

Item	Risk	Potential Affect
Wellbeing of Future Generations Act	Act not considered in decision making	Cost of corrective action
Swansea Bay City Region	Additional pressure in MTFP	Budget requirement / overspend
Schools Reorganisation / 21 st Century Schools (Band B)	Unable to provide service within existing budgets Incorrect cost assumptions	Budget overspend Increased contractual costs
Teachers Pensions and Teachers Pay	Increase in Teachers Pension/Pay are not funded by Welsh Government	Significant pressure on the Authority's and Schools budget, which if unfunded could result in a significant additional cost reduction requirement which would result in a reduction in education standards.
Housing Rent Policy Changes	Incorrect Business plan assumptions.	Additional charge to tenants at future date.
Brexit	Exchange rate risk. Risk of trade tariffs.	Increased costs to service Delays to service provision due to shortages in supply of goods and services.
Contractual Arrangements	Large private sector organisation going into Administration.	Delays to service provision and increased cost.
Grant Funding	Loss of grant from Welsh Government & Europe.	Reduction in service provision.

7.0 CORE FINANCIAL STATEMENTS – COMPONENTS AND DETAIL

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

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

Supporting Notes and Supplementary Financial Statements

These comprise of:

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

Group Accounts

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

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

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

7.1 EXPENDITURE AND FUNDING ANALYSIS

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

2017-18				2018-19		
Net Expenditure in Revenue Outturn	Adjustment between the Funding and Accounting Basis (Note 9.1)	Net Expenditure in the CIES		Net Expenditure in Revenue Outturn	Adjustments between the Funding and Accounting Basis (Note 9.1)	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
87,517	7,371	94,888	Education Services***	89,179	5,384	94,563
12,697	1,150	13,847	Childrens Services	13,308	899	14,207
47,894	1,579	49,473	Adult Services***	51,697	2,098	53,795
1,027	593	1,620	Housing Services***	1,037	337	1,374
-	1,289	1,289	Council Housing	-	1,212	1,212
7,713	5,237	12,950	Highways & Transport Services	8,316	6,158	14,474
6,632	2,410	9,042	Culture & Related Services***	6,193	2,787	8,980
1,773	4,143	5,916	Planning Services***	1,918	626	2,544
11,033	1,308	12,341	Environmental Services	13,025	1,573	14,598
5,602	(239)	5,363	Other Central, Corporate & Democratic Services***	5,605	12,673	18,278
7,682	-	7,682	Council Tax Reduction Scheme	8,528	-	8,528
304	8	312	Court Services	334	8	342
(871)	871	-	Second Home Council Tax (Community)	-	-	-
871	(871)	-	Affordable Housing Scheme*	930	(908)	22
871	(871)	-	Contributions to Community*	930	(781)	149
190,745	23,978	214,723	Net Cost of Services (inc HRA) / Deficit on Continuing Operations	201,000	32,066	233,066
7,222	13,097	20,319	Other Operating Expenditure	7,332	14,468	21,800
8,537	5,954	14,491	Financing & Investment Income & expenditure	9,609	4,356	13,965
(206,504)	(38,133)	(244,637)	Taxation and non-specific grant income	(217,941)	(40,544)	(258,485)
-	4,896	4,896	Surplus or Deficit	-	10,346	10,346

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

***Restated see table 11.2.3 Prior Year Adjustments

	2017-18	2018-19
	Fund Balance £'000	Fund Balance £'000
Opening General Fund and HRA Balance	(7,752)	(7,752)
less / add Surplus or (Deficit) on General Fund and HRA Balance in Year	-	-
Closing General Fund and HRA Balance at 31 March**	(7,752)	(7,752)

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

7.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

7.2.1 Surplus/Deficit on Continuing Operations

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

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

- Receipts under £10k arising from the sale of assets. A sum of £26k 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 £57k is included in Corporate and Democratic Core income that has been appropriated to Capital Receipts Reserve in accordance with accounting policies
- The following “notional” costs are also included that are “reversed out” in the Movement in Reserves Statement:
 - revenue expenditure funded from capital under statute and grants
 - depreciation and impairment costs of fixed assets
 - current service pension costs
 - accrued employee benefits

7.2.2 Other Operating Expenditure & Financing & Investment Income

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

- precepts & levies
 - agency activities
 - interest received on external investments and interest paid on external loans
 - the cost of writing down premiums and discounts associated with restructuring the loan portfolio
- In addition the Code requires that the following costs, which are not budgeted for either being notional or having no direct in year net cost to the taxpayer, are also added:

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

7.2.3 Taxation and Non-Specific Grants

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

7.2.4 Other Comprehensive Income & Expenditure

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Note	2017-18			2018-19		
		Gross Total Cost £000	Income £000	Net Total Cost/ Expend £000	Gross Total Cost £000	Income £000	Net Total Cost/ Expend £000
Education Services*		118,305	(23,417)	94,888	119,164	(24,601)	94,563
Social Care - Childrens Services		18,565	(4,718)	13,847	18,690	(4,483)	14,207
Social Care - Adult Services*		72,979	(23,506)	49,473	77,053	(23,258)	53,795
Housing Services*		38,911	(37,291)	1,620	38,456	(37,082)	1,374
Council Housing		24,400	(23,111)	1,289	25,538	(24,326)	1,212
Highways & Transport Services		26,921	(13,971)	12,950	26,179	(11,705)	14,474
Cultural & Related Services*		14,220	(5,178)	9,042	14,338	(5,358)	8,980
Planning Services*		10,273	(4,357)	5,916	7,989	(5,445)	2,544
Environmental Services		20,795	(8,454)	12,341	20,622	(6,024)	14,598
Other Central, Corporate & Democratic Services*		11,769	(6,406)	5,363	21,170	(2,892)	18,278
Council Tax Reduction Scheme		7,682	-	7,682	8,528	-	8,528
Court Services		337	(25)	312	376	(34)	342
Second Home Council Tax		-	-	-	171		171
(Surplus)/Deficit on Continuing Operations		365,157	(150,434)	214,723	378,274	(145,208)	233,066
Other Operating Expenditure							
Precepts & Levies	10.2			20,909			21,856
Gains & Losses on Disposal of Non-Current Assets				(590)			(56)
Financing & Investment Income and Expenditure							
Interest Payable				11,101			10,936
Interest & Investment Income				(313)			(325)
Net Pensions Interest	10.5.1			3,703			3,354
Taxation & Non-Specific Grant Income							
Revenue Support Grant (inc Special Grant)	10.1.1			(116,466)			(121,740)
NNDR Pool Share				(40,310)			(40,034)
Local Taxpayers	10.1.3			(61,172)			(68,328)
Second Home Premium	10.1.3			(2,243)			(2,363)
General Capital Grants & Contributions	10.1.5			(24,446)			(26,020)
(Surplus) or Deficit on Provision of Services				4,896			10,346
Other Comprehensive Income & Expenditure							
(Surplus)/Deficit on revaluation of non-current assets	12.13.3			(2,989)			(2,865)
Remeasurements of Pensions Liabilities & Assets	12.13.7			(34,340)			17,459
Total Other Comprehensive Income & Expenditure				(37,329)			14,594
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				(32,433)			24,940

* Restated see table 11.2.3 Prior Year Adjustments

7.2.5 Exceptional Items

There were no exceptional items of income or expenditure in 2018-19.

7.3 MOVEMENT IN RESERVES STATEMENT

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

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

Actuals 2018-19	General Fund Working Balance	Earm'd General Fund Reserves	HRA Working Balance	Earm'd HRA Reserves	Capital Receipts & Grants Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance 1 April 2018	(7,000)	(40,519)	(752)	(8,794)	(4,887)	(61,952)	(345,828)	(407,780)
In Year Opening Balance Adjustments*	-	-	-	-	-	-	48	48
Restated Balance	(7,000)	(40,519)	(752)	(8,794)	(4,887)	(61,952)	(345,780)	(407,732)
(Surplus) / Deficit On Provision of Services	9,507	-	839	-	-	10,346	-	10,346
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	14,594	14,594
Total Comprehensive Income & Expenditure (see 7.2.4)	9,507	-	839	-	-	10,346	14,594	24,940
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see 11.1)	(8,316)	-	3,218	-	(6,009)	(11,107)	10,907	(200)
Net (Increase) & Decrease Before Transfers (To) / From Reserves	1,191	-	4,057	-	(6,009)	(761)	25,501	24,740
Transfers (To)/ From Reserves	(1,191)	1,084	(4,057)	4,334	-	170	(170)	-
(Increase) / Decrease In Year	-	1,084	-	4,334	(6,009)	(591)	25,330	24,739
Balance 31 March 2019 (see 11.2.1 & 11.2.2)	(7,000)	(39,435)	(752)	(4,460)	(10,896)	(62,543)	(320,450)	(382,993)

Actuals 2017-18	General Fund Working Balance	Earm'd General Fund Reserves	HRA Working Balance	Earm'd HRA Reserves	Capital Receipts & Grants Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance 1 April 2017	(7,000)	(39,952)	(752)	(8,247)	(2,055)	(58,006)	(317,339)	(375,345)
In Year Opening Balance Adjustments	-	-	-	-	-	-	(2)	(2)
Restated Balance	(7,000)	(39,952)	(752)	(8,247)	(2,055)	(58,006)	(317,341)	(375,347)
(Surplus) / Deficit On Provision of Services	3,405	-	1,491	-	-	4,896	-	9,286
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(37,329)	(37,329)
Total Comprehensive Income & Expenditure (see 7.2.4)*	3,405	-	1,491	-	-	4,896	(37,329)	(32,433)
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see 11.1)	(3,821)	-	(2,286)	-	(2,832)	(8,939)	8,939	-
Net (Increase) & Decrease Before Transfers (To) / From Reserves	(416)	-	(795)	-	(2,832)	(4,043)	(28,390)	(32,433)
Transfers (To)/ From Reserves	416	(567)	795	(547)	-	97	(97)	-
(Increase) / Decrease In Year*	-	(567)	-	(547)	(2,832)	(3,946)	(28,487)	(32,433)
Balance 31 March 2018 (see 11.2.1 & 11.2.2)*	(7,000)	(40,519)	(752)	(8,794)	(4,887)	(61,952)	(345,828)	(407,780)

* Restated see table 12.13.2 CAA for Prior Years Adjustments

** Restated see table 11.2.3 Prior Year Adjustments

7.4 BALANCE SHEET

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

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

BALANCE SHEET AS AT 31 MARCH	Note	2017-18		2018-19	
		£000	£000	£000	£000
NON-CURRENT ASSETS:					
Property, Plant & Equipment	12				
Council Housing Property	12.1.1.3	199,110		200,739	
Other Land & Buildings	12.1.1.3	325,128		397,048	
Infrastructure	12.1.1.3	117,567		119,707	
Vehicles/Plant/Equipment	12.1.1.3	8,010		10,621	
Heritage Assets	12.1.1.6	535		531	
Community Assets	12.1.1.3	991		579	
Assets Under Construction	12.1.1.3	59,353		269	
Surplus Assets		6,837		2,259	
Fixed Assets			717,531		731,753
Intangible Assets	12.1.3		96		320
Long Term Debtors	12.6.1		3,126		4,243
TOTAL LONG TERM ASSETS			720,753		736,316
CURRENT ASSETS:					
Short Term Investments	12.5	32,772		46,100	
Inventories & Works in Progress	12.4	1,152		1,268	
Short-term Debtors and Prepayments*	12.6.1	36,631		30,468	
Cash & Cash Equivalents	12.7	4,057		6,127	
Assets Held For Sale	12.8	103		338	
Total Current Assets			74,715		84,301
TOTAL ASSETS			795,468		820,617
CURRENT LIABILITIES:					
Other Short-term Borrowing	12.6.2	(4,126)		(4,460)	
Short-term Creditors	12.6.2	(28,497)		(30,831)	
Revenue Grants Receipts in Advance	12.6.2	(770)		(1,143)	
Capital Grants Receipts in Advance	12.6.2	(7,753)		(9,542)	
Provisions	12.9.1	(1,440)		(1,748)	
Total Current Liabilities			(42,586)		(47,724)
TOTAL ASSETS LESS CURRENT LIABILITIES			752,882		772,893
Long Term Borrowing	12.10.1	(199,664)		(203,545)	
Deferred Liabilities	12.11	(8,641)		(8,401)	
Net Pension Fund Liability	12.13.7	(136,797)		(177,954)	
TOTAL LONG TERM LIABILITIES			(345,102)		(389,900)
NET ASSETS			407,780		382,993
Usable Reserves					
- General Fund Working Balance	11.2.1		(7,000)		(7,000)
- HRA Working balance	11.2.1		(752)		(752)
- Earmarked Reserves and Capital Receipts	11.2.1 & 11.2.2		(54,200)		(54,791)
Unusable Reserves	12.13		(345,828)		(320,450)
TOTAL RESERVES			(407,780)		(382,993)

* Restated see table 11.2.3 Prior Year Adjustments

7.5 CASH FLOW STATEMENT

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

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

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

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

The notes to the Cash Flow are detailed below:

Movement In Cash Balances	As At 31 March		Movement In Year £000
	2018 £000	2019 £000	
Cash At Bank/(Overdrawn)	-	-	-
Cash Equivalent	1,918	4,994	3,076
Cash At Bank / In Hand	2,139	1,133	(1,006)
	4,057	6,127	2,070

The cash flows for operating activities include the following items:	2017-18 £000	2018-19 £000
Interest Paid	9,887	10,922
Interest Received	(414)	(343)

CASH FLOW STATEMENT	2017-18		2018-19	
	£000	£000	£000	£000
Reconciliation of Comprehensive Income and Expenditure Statement to Net Revenue Cash Flow				
Net (Surplus)/Deficit on the provision of services		4,896		10,346
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation	(19,211)		(19,408)	
Impairment & downward valuations	(11,987)		(8,603)	
Pension fund adjustments	(15,739)		(23,698)	
Other non cash financial instrument adjustments	(32)		(31)	
Contributions to provisions	(488)		(308)	
Carrying amount of non-current assets sold	(2,672)		(7,200)	
Other non cash movement	-		-	
Movements in revenue debtors, creditors, stocks etc.	6,900		(9,330)	
		(43,229)		(68,578)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities				
Proceeds from sale of property, plant and equipment, investment property and intangible assets	3,336		7,331	
Capital Grants	24,446		26,020	
Premium paid on redemption of debt	-		-	
		27,782		33,351
Net Cash Flow from Operating Activities		(10,551)		(24,881)
INVESTING ACTIVITIES				
Purchase of property, plant & equipment, investment property & intangible assets	69,547		48,634	
Purchase of short term & long term investments	394,115		371,601	
Other payments for investing activities	-		-	
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(3,336)		(7,331)	
Proceeds from short term & long term investments	(430,236)		(358,267)	
Capital grants received	(21,834)		(27,805)	
Other capital cash receipts	-		-	
Net Cash Flow From Investing Activities		8,256		26,832
FINANCING ACTIVITIES				
Cash receipts of short-term & long-term borrowing	(3,000)		(6,000)	
Other receipts from financing activities	-		-	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	256		280	
Repayments of short-term & long-term borrowing	4,509		1,699	
Other payments for financing activities				
Net cash flow from financing activities		1,765		(4,021)
NET (INCREASE)/DECREASE IN CASH & CASH EQUIVALENTS		(530)		(2,070)
Cash & cash equivalents at the beginning of reporting period	3,527		4,057	
Cash & cash equivalents at the end of reporting period	4,057		6,127	
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		530		2,070

8.0 ACCOUNTING POLICIES

The accounting policies used to prepare the Core Accounting Statements and the following Supporting Notes and Supplementary Financial Statements have been reviewed using the 2018-19 Code of Practice on Local Authority Accounting.

8.1 GENERAL PRINCIPLES

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

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

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

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

8.2 INCOME AND EXPENDITURE ACCRUALS

8.2.1 Employee Costs

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

8.2.2 Supplies and Services Etc.

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

8.2.3 Support Services

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

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

8.2.4 Precepts and Levies

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

8.2.5 Income

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

The Authority's share of National Non-Domestic Rates (NNDR) Pool reported in the Comprehensive Income and Expenditure Statement is that notified by the Welsh Government. The amount of NNDR collected on behalf of the Welsh Government shall not form part of the Council's

income and associated debtors and creditors on the Balance Sheet. All associated entries are consolidated into an NNDR pool account.

8.2.6 Interest Payable

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

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

8.2.7 Interest Receivable

The following principles shall apply to interest receivable:

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

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

8.2.8 General Debtors

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

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

8.2.9 General Creditors

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

8.3 ACQUIRED & DISCONTINUED OPERATIONS

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

8.4 CASH & CASH EQUIVALENTS

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

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

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

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

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

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

8.6 EVENTS AFTER THE REPORTING PERIOD

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

8.7 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

8.7.1 Gains on Revaluation

For the purposes of calculating gains and losses the current value of individual assets at the 31 March 2007 shall equal the historic cost. In the majority of cases gains on revaluation shall be credited to the Revaluation Reserve except where a previous impairment has been charged to the Comprehensive Income and Expenditure Statement. In these circumstances the gain shall be credited to the Comprehensive Income and Expenditure Statement and applied to the balance of the related loss recorded in the Capital Adjustment Account. Any remaining unapplied gain shall be credited to the Revaluation Reserve.

8.7.2 Revaluation Losses and Impairment

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

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

8.7.3 Depreciation

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

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

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

8.8 EMPLOYEE COSTS & BENEFITS

8.8.1 Benefits During Employment

Normal remuneration costs shall be charged as an expense in the period to which they relate. A year end accrual shall be made in the Comprehensive Income and Expenditure Statement of any material costs arising from holiday entitlement not taken. However, not being a charge for taxation purposes shall be reversed out in the Movement in Reserves Statement.

8.8.2 Termination Benefits

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

8.8.3 Pension Costs

8.8.3.1 Dyfed Pension Fund

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

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

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

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

8.8.3.2 Teachers' Pensions Scheme

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

8.9 STOCKS AND WORKS IN PROGRESS

Stocks held in the Council's stores shall be valued at the lower of cost and net realisable value.

Works in progress, where the Council is the contractor, shall be valued at fair value of the contract sum receivable.

8.10 FINANCIAL INSTRUMENTS

Classification of Financial Instruments

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

- **Re-measurement of modified loans**

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

- **Impairment of Financial Assets**

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

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

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

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

• **Classification of Financial Instruments**

The classification of Financial Assets are now determined by both their characteristics and the business model under which they were acquired. There are 3 Models:

a) Amortised Cost

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

b) Fair Value Through Other Comprehensive Income

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

c) Fair Value Through Profit and Loss

All other combinations of business model and contractual cash flows.

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

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

8.10.1 Financial Liabilities

8.10.1.1 Recognition & Measurement

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

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

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

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

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

8.10.1.2 Derecognition, Early Redemption Gains and Losses

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

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

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

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

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

8.10.2 Soft Loans

8.10.2.1 Advances

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

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

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

8.10.2.2 Borrowing

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

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

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

8.10.3 Investments

8.10.3.1 Recognition & Measurement

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

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

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

8.10.3.2 Derecognition, Gains and Losses

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

8.10.4 Basis of Charges Made for Repaying Debt

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

8.10.5 Financial Loan Guarantee Contracts

8.10.5.1 Recognition

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

8.10.5.2 Measurement

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

8.11 DEFERRED LIABILITIES

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

8.12 FOREIGN CURRENCY TRANSLATION

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

8.13 GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

8.13.1 General

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

8.13.2 Revenue Grants and Contributions

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

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

8.13.3 Grants and Contributions for Capital Purposes

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

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

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

8.13.4 Repayment

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

8.14 NON-CURRENT ASSETS

8.14.1 Recognition

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

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

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

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

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

8.14.2 Classification

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

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

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

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

8.14.3 Initial Valuation

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

Donated Assets or Assets Exchanged for Non-monetary Consideration. Where no conditions relating to the asset remain to be fulfilled, the fair value of the asset shall be recognised in the Balance Sheet and in the Comprehensive Income and Expenditure Statement. The latter being transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Where conditions attach to a donated asset the asset shall be recognised in the Balance Sheet and in the Donated Assets Account until such time as the conditions are fulfilled.

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

8.14.4 Subsequent Valuation

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

- Property shall be included in the Balance Sheet at current value defined as the lower of net realisable value in its existing use or, in the absence of an active market, because of the specialised nature of the asset, depreciated replacement cost.
- Plant and Equipment shall be carried at historic cost as a proxy for current value.
- Council Housing shall be included in the Balance Sheet at current value for the existing use of social housing which shall be derived by discounting the market value by a factor reflecting the difference between commercial and social rents.

- Surplus assets shall be included in the Balance sheet at fair value, defined as the amount that would be paid for the asset in its highest and best use less cost of sale in line with IFRS13 requirements.
- Infrastructure, community assets, and assets under construction for operational use, shall be included in the Balance Sheet at historical cost net of depreciation where appropriate.
- Any assets acquired for non-cash consideration shall be included in the Balance Sheet at current value.
- Heritage Assets shall be generally be valued at historic cost or by using their insurance value as a proxy for current value.
- Revaluation shall not occur at the point of disposal.

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

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

8.14.5 Asset Lives

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

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

8.14.6 De Minimis Expenditure

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

8.15 INTANGIBLE ASSETS

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

8.15.1 Research & Development

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

8.16 CAPITALISATION OF BORROWING COSTS

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

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

8.17 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

8.18 ASSETS HELD FOR SALE

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

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

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

8.19 ASSET DISPOSALS

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

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

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

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

8.20 LEASES AND LEASE-TYPE ARRANGEMENTS

8.20.1 Recognition and Classification

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

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

8.20.2 Acquisitions (Council as lessee)

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

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

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

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

8.20.3 Disposals (Council as lessor)

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

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

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

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

8.20.4 Sale And Leaseback Arrangements

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

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

8.20.5 Arrangements Containing a Lease

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

8.21 PRIVATE FINANCE INITIATIVE SCHEMES

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

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

Any lifecycle replacement payments that can be reliably identified in the contract shall be recognised as a prepayment in the Balance Sheet until such time as expenditure is incurred by the operator. An adjustment between actual cost and payment shall be made in the Comprehensive Income and Expenditure Statement.

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

8.22 GROUP ACCOUNTS

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

8.23 JOINT OPERATIONS

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

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

8.24 RELATED PARTIES

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

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

8.25 PRINCIPAL AND AGENT

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

8.26 WORKING BALANCES AND RESERVES

8.26.1 Classification

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

8.26.2 Usable Reserves

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

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

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

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

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

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

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

8.26.3 Unusable Reserves

The following financial reserves shall be maintained:

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

8.26.4 Reporting

Usable reserve balances shall form part of the Council Fund.

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

8.27 PROVISIONS

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

8.27.1 Landfill Allowance Scheme Wales

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

8.28 CONTINGENT ASSETS AND LIABILITIES

8.28.1 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

8.28.2 Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

8.29 VAT

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

8.30 TRUST FUNDS & OTHER ACCOUNTS

Separate accounts shall be maintained for Trusts and other funds administered by the Council. However, where the Authority has full control as the only Trustee group accounts would be required, but if the transactions / balances are not individually material they will be consolidated within the Council's single entity Financial Statements (for example Tenby Pool).

8.31 IFRS 15 REVENUE FROM CONTRACT

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

9.0

NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

9.1

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Actual Expenditure 2018-19	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Statutory Adjustments £'000	Total Statutory Adjustments £'000	Other Non-Statutory Adjustments £'000	Total Adjustments £'000
Education Services	5,759	2,578	(812)	7,525	(2,141)	5,384
Social Care - Children's Services	56	998	(84)	970	(71)	899
Social Care - Adult Services	518	1,409	-	1,927	171	2,098
Housing Services	207	183	-	390	(53)	337
Council Housing	11,484	552	(5,068)	6,968	(5,756)	1,212
Highways & Transport Services	4,983	1,589	(286)	6,286	(128)	6,158
Cultural & Related Services	2,208	783	(14)	2,977	(190)	2,787
Planning Services	91	588	-	679	(53)	626
Environmental Services	1,666	825	-	2,491	(918)	1,573
Other Central, Corporate & Democratic Services	1,114	10,429	125	11,668	1,005	12,673
Court Services	-	8	-	8	-	8
Affordable Housing Scheme*	-	-	-	-	(908)	(908)
Contributions to Community*	-	-	-	-	(781)	(781)
Net Cost of Services (inc HRA) / Deficit on Continuing Operations	28,086	19,942	(6,139)	41,889	(9,823)	32,066
Other Operating Expenditure	(56)	-	-	(56)	14,524	14,468
Financing & Investment Income & expenditure	(61)	3,354	1,032	4,325	31	4,356
Taxation and non-specific grant income and expenditure*	(26,020)	-	-	(26,020)	(14,524)	(40,544)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,949	23,296	(5,107)	20,138	(9,792)	10,346

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

Actual Expenditure 2017-18	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Total Statutory Adjustments	Other Non-Statutory Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Education Services**	5,477	3,741	(812)	8,406	(1,035)	7,371
Social Care - Children's Services	167	1,094	(84)	1,177	(27)	1,150
Social Care - Adult Services**	446	1,522	-	1,968	(389)	1,579
Housing Services**	556	200	-	756	(163)	593
Council Housing	11,705	600	(5,583)	6,722	(5,433)	1,289
Highways & Transport Services	4,581	1,741	(186)	6,136	(899)	5,237
Cultural & Related Services**	2,040	850	(14)	2,876	(466)	2,410
Planning Services**	3,542	644	-	4,186	(43)	4,143
Environmental Services	1,474	900	-	2,374	(1,066)	1,308
Other Central, Corporate & Democratic Services**	1,213	846	142	2,201	(2,440)	(239)
Court Services	-	8	-	8	-	8
Second Home Council Tax (Community)	-	-	-	-	871	871
Affordable Housing Scheme*	-	-	-	-	(871)	(871)
Contributions to Community*	-	-	-	-	(871)	(871)
Net Cost of Services (inc HRA) / Deficit on Continuing Operations	31,201	12,146	(6,537)	36,810	(12,832)	23,978
Other Operating Expenditure	(590)	-	-	(590)	13,687	13,097
Financing & Investment Income & expenditure	(3)	3,703	2,403	6,103	(149)	5,954
Taxation and non-specific grant income and expenditure*	(24,446)	-	-	(24,446)	(13,687)	(38,133)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	6,162	15,849	(4,134)	17,877	(12,981)	4,896

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

** Restated - see Table 11.2.3 Prior Year Adjustment

9.1.1 Adjustments for Capital Purposes

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

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

9.1.2 Net Change for the Pensions Adjustments

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

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

9.1.3 Other Statutory Adjustments

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

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

9.1.4 Other Non-Statutory Differences

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

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

9.2 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

In particular:

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

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

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

9.3

EXPENDITURE AND INCOME ANALYSED BY NATURE

Expenditure / Income	2017-18 £'000	2018-19 £'000
Expenditure		
Employee Costs	156,199	165,586
Other Operating Costs*	177,760	184,677
Support Services	-	-
Depreciation, amortisation & impairment	31,198	28,011
Interest Paid	14,804	14,290
Precepts & Levies	20,909	21,856
Gain or loss on disposal of assets	(590)	(56)
Total Expenditure	400,280	414,364
Income		
Rents, fees & charges etc*	(60,630)	(60,423)
Interest & investment income	(313)	(325)
Income from council tax	(63,415)	(70,691)
Government grants and contributions	(271,026)	(272,579)
Total Income	(395,384)	(404,018)
Surplus or Deficit on the Provision of Services	4,896	10,346

*Restated see table 11.2.3 Prior Year Adjustments

10.0 NOTES TO THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

10.1 TAXATION AND NON-SPECIFIC GRANT INCOME

10.1.1 Revenue Support Grant and Special Grant

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

10.1.2 National Non-Domestic Rates (NNDR)

The unified business rate for 2018-19 was set by the Welsh Government at 51.4p in £1 with an average rateable value of £130,434,804 compared to 49.9p with an average rateable value of £129,170,064 in 2017-18. The Council made a net contribution to the NNDR pool of £12.646m in 2018-19 and £8.051m 2017-18.

10.1.3 Council Tax

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

Band D Council Tax	2017-18	2018-19
Pembrokeshire County Council	£883.15	£993.54
Dyfed Powys Police Authority	£213.87	£224.56
Average Town and Community Council	£30.88	£34.31
Tax Base Number of Band D Equivalent		
Chargeable	56,884.37	57,074.89
Aggregate Collectable*	55,919.65	56,103.15

* Aggregate collectable figure made up of Budget Setting tax base 54,114.58 plus Second Homes 1,988.59.

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

Tax Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band D Equiv Chargeable Properties	3,550	6,431	10,987	10,257	13,815	7,976	3,254	594	211

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

Council Tax Income	2017-18 £000	2018-19 £000
Council Tax Due In Year	(61,038)	(68,565)
Council Tax Due in Year - Second Home Premium	(2,243)	(2,363)
Non- collection allowance	(134)	237
Amount Due From Taxpayers Before Rebates	(63,415)	(70,691)
Allocated to:		
Dyfed Powys Police Precept	(11,960)	(12,599)
Pembrokeshire County Council	(49,728)	(56,167)
Town and Community Councils Precepts	(1,727)	(1,925)
Total	(63,415)	(70,691)

10.1.4 Revenue – Other Non-Specific Government Grants and Contributions

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

	2017-18 £000	2018-19 £000
Credited to Services		
DWP Subsidy Payments and Other DWP Grants*	(33,696)	(33,318)
Post 16 Provision Grant	(4,184)	(3,628)
Pupil Deprivation Grant	(2,975)	(3,027)
Flying Start & Families First Grant	(3,908)	(3,838)
Regional Consortia Schools Improvement Grant**	(5,128)	(4,882)
Supporting People Grant	(2,720)	(2,714)
Environmental & Sustainable Development Grant & Sustainable Waste Grant***	(2,716)	(959)
Trunk Road Agency	(5,006)	(2,674)
European Community grants for Local Services	(1,234)	(1,681)
Intermediate Care Fund	(947)	(946)
Substance Misuse Action Fund	(846)	(925)
Contribution from Health Board	(7,612)	(8,370)
Refunded Direct Payments	(172)	(796)
Contributions from PTA / Parents	(480)	(783)
Contributions from ERW and Welsh Government	(514)	(743)
Contributions to Transport	(755)	(639)
Concessionary Fares	(1,284)	(1,383)
WG Transitional Education Grant	(295)	(591)
Other Grants or Contributions credited to Services*	(15,332)	(12,888)
Total Revenue Grants & Contributions Credited to Services	(89,804)	(84,785)
*Figures restated to move 2017-18 McMillan Cancer Support contribution from Other DWP Grants to Other Grants or Contributions credited to Services		
**Previously named Education Improvement Grant.		
***Previously named Environmental & Sustainable Development Grant. Now includes two separate grants		

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

	2017-18 £000	2018-19 £000
Grants & Contributions Received	(90,574)	(85,928)
Grants Held In Advance Where Conditions Not Fulfilled	770	1,143
Grants & Contributions Credited As Income in Year	(89,804)	(84,785)

10.1.5 Capital Grants & Contributions

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

	2017-18 £000	2018-19 £000
Credited to Taxation and Non Specific Grant Income		
General Capital Grant	(827)	(3,002)
21st Century Schools	(10,432)	(10,815)
Convergence	(97)	(62)
Major Repairs Allowance	(3,986)	(3,995)
Welsh Government - Transport (Local Transport Fund, Safe Routes in Communities, Local Road Safety, Bulford Road, & Southern Strategic Route)	(4,730)	(2,258)
Welsh Government - Flood & Coastal Erosion Risk Management	(384)	(141)
Other Grants	(3,698)	(5,754)
Developers Contributions	(292)	7
	(24,446)	(26,020)
Applied to Finance Capital Expenditure	(24,446)	(26,020)
Transferred to Capital Grant Unapplied Reserve	-	-
	(24,446)	(26,020)

10.2 PRECEPTS AND LEVIES

	2017-18 £000	2018-19 £000
Precepts		
Dyfed Powys Police	11,960	12,599
Town and Community Councils	1,727	1,925
Levies		
West Wales Fire and Rescue	6,237	6,399
Pembrokeshire Coast National Park	985	933
Totals	20,909	21,856

10.3 MEMORANDUM ACCOUNTS

10.3.1 External Trading Services

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

The following types of trading service have been identified:

- Services to the public which are of a commercial nature
- Legal requirement to keep a trading account (fee earning building regulation)
- Requirement under accounting standards to report separately (investment property)

- Services provided to schools under Service Level Agreements in a competitive environment – schools having the freedom to purchase services from other external providers and have “contracted” with respective departments of the Council to deliver the services required.

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

External Trading Services	2017-18	2018-19		
	Net Expenditure £000	Turnover £000	Expenditure £000	Net Expenditure £000
Highways Roads & Transport				
Cleddau Bridge *	(1,308)	(3,130)	1,749	(1,381)
Car Parks (excl CPE)	(35)	(1,725)	1,453	(272)
Civil Parking Enforcement	(61)	(448)	438	(10)
Culture, Environment & Planning				
West Wales Crematorium**	(308)	(999)	928	(72)
Markets***	270	(66)	118	52
Industrial Estates ***	12	(935)	712	(223)
Training	8	(852)	1,004	152
Building Regulation Chargeable	84	(369)	403	34

*The Cleddau Bridge, including Westfield Pill Bridge, is owned by the Council and is regulated by the Dyfed Act 1987 which sets out a range of statutory requirements for the setting of bridge tolls, the application of revenue (allowable expenditure), the application of interest on deficiencies and the management of a reserve fund. The tolls on the Cleddau Bridge were decommissioned on 28 March 2019. Pre paid books were returned and refunds issued.

The statutory accounting entries and disclosures in the Statement of Accounts for 2018-19 are the fixed asset (£19.1m), one external loan (£1.7m), an earmarked reserve (£1.7m) and a trading surplus (£1.9m), after the application of notional costs for depreciation, IAS pensions, soft loans effective interest rate, the application of MRP and an appropriation from reserve. In compliance with the statutory requirements of the Dyfed Act, the budgeted annual trading surpluses are not transferred to the Cleddau Bridge earmarked reserve, but accounted for in the Council’s General Fund and used to support its Highways and Transportation budget. Any surpluses over and above those budgeted are transferred to the Cleddau Bridge earmarked reserve.

Following the Welsh Government announcement that the Cleddau Bridge tolls should cease on 1 April 2019 (Actual cessation 28 March 2019) Welsh Government have offered a £60m (non-index linked) compensation grant payable over 20 years. In addition they have offered a one off payment to cover the reconfiguration of the highway and any staffing costs incurred in relation to the cessation of tolls. The Cleddau Bridge will no longer be regarded as a trading service from 1 April 2019.

** A revaluation loss in 2018-19 accounts for the net movement in West Wales Crematorium

*** A revaluation loss and impairment in 2017-18 accounts for the movement in 2018-19 Markets and Industrial Estates

10.4 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2017-18 £000	2018-19 £000
Expenditure in Year	2,477	3,366
Grant & Contributions Received in Year	(2,477)	(3,355)
Net Revenue Expenditure Funded from Capital Under Statute	-	11

10.5 PENSION COSTS

The Authority participates in two pension schemes:

10.5.1 The Dyfed Superannuation Scheme,

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

A composite employer's contribution rate used in 2018-19 was calculated by the Fund's actuary based on the valuation as at 31 March 2016 for all employees of the County Council who are members of the scheme.

The Fund was valued as at 31 March 2016 & the results of this valuation are reflected in the 2018-19 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	2017-18		2018-19	
	£000	£000	£000	£000
Interest on Pension Liabilities	17,231		17,853	
Interest on Plan assets	(13,528)		(14,499)	
		3,703		3,354
Administration Expenses		405		424
Past Service (Gain) / Cost *		37		10,103
Curtailment (Gain) / Loss		355		467
Settlement (Gain) / Loss		-		-
Current Service Cost		23,143		22,521
		27,643		36,869
Statement of Movement on the Council Fund Balance Entries				
Reversal IAS 19 Entries Above:		(27,643)		(36,869)
Actual Charges Paid In Year				
Actual Amount Charged For Period	11,110		12,374	
Cost of Enhancements Charged In Year	794		797	
		11,904		13,171
		(15,739)		(23,698)
Employees Contributions	5.5%-12.5%		5.5%-12.5%	
Employers Contributions	15.8%		16.9%	
* includes (gains) / costs due to change in scheme benefits				

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

	Total Liabilities 2017-18	Funded Liabilities 2018-19	Unfunded Liabilities 2018-19	Total Liabilities 2018-19
	£000	£000	£000	£000
Liability as at 1 April	702,626	687,258	13,460	700,718
Movements in the year:				
Current Service Cost	23,143	22,521	-	22,521
Interest on Pension Liabilities	17,231	17,514	339	17,853
Member Contributions	4,231	4,388	-	4,388
Past Service (Gain) / Cost	37	10,103	-	10,103
Remeasurements (liabilities) <i>comprising of :</i>				
Experience (gain) / loss	-	-	-	-
(Gain) / Loss on financial assumptions	(28,191)	39,460	450	39,910
(Gain) / Loss on demographic assumptions	-	-	-	-
Curtailments	355	467	-	467
Settlements	-	-	-	-
Benefits / transfers paid	(18,715)	(18,239)	(797)	(19,036)
Liability at 31 March	700,717	763,472	13,452	776,924

Reconciliation of Fair Value of the Scheme Assets

	2017-18	2018-19
	£000	£000
Fair Value of Plan Assets as at 1 April	547,228	563,920
Movements in the year:		
Interest on Plan assets	13,528	14,499
Remeasurements (assets)	6,149	22,452
Administration Expenses	(405)	(424)
Settlements	-	-
Employer Contributions	11,904	13,171
Member Contributions	4,231	4,388
Benefits / transfers paid	(18,715)	(19,036)
Fair Value of Plan Assets as at 31 March	563,920	598,970

Pension Fund Assets split by category

	31 March 2018	31 March 2019
	£000	£000
Equities	398,127	413,889
Government	55,265	36,537
Other Bonds	54,136	63,491
Property	53,008	81,460
Cash/Liquidity	1,692	3,593
Net Current Assets	1,692	-
Total	563,920	598,970

Notes to the tables:

Deferred taxation has been ignored.

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

No specific investigation has been undertaken in relation to increases in the average age of the scheme membership, but no reason has been given to suggest there have been any substantial changes since the 2016 actuarial valuation.

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

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

An additional past service cost (£9.9m) has been included within the tables resulting from the McCloud judgement, this has increased the gross pension liability. The figure calculated is sensitive to membership age profile, a LGPS-wide estimate has been applied to our active liability and is potentially subject to change.

Actuarial Assumptions

	Beginning Of Year	End Of Year
	%	%
Financial Assumptions		
Rate of CPI inflation	2.1	2.2
Rate of increase in salaries	3.6	3.7
Rate of increase in pensions	2.2	2.3
Discount Rate	2.6	2.4
Life Expectancy (Years)		
Male future pensioner aged 65 in 20 years' time	25.1	25.2
Female future pensioner aged 65 in 20 years' time	27.9	28.1
Male current pensioner aged 65	22.9	23.0
Female current pensioner aged 65	25.6	25.7

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 2018. The corresponding split of assets at the start of the year has been calculated as at 31 March 2018.

- The actuarial assumptions used in the calculation of the year end Balance Sheet liabilities are based on the 2016 actuarial valuation assumptions, other than the financial assumptions, which are shown above.
- The above expected returns are gross of expenses. A deduction of £1,608k in respect of expenses is made in calculating the expected return for the year.
- The figure used for the discount rate is based on a yield on corporate bonds of around 2.5%.
- The estimation of the defined benefit obligations is sensitive to actuarial assumptions for discount rate, inflation, pay growth and life expectancy. Changes to these assumptions could lead to significant changes in the liability.
- The 2019-20 estimated employer contributions are £12,706k per the Mercer report.

Effect Over Time of Actual To Assumed Performance

Scheme History	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000
Present Value of Liabilities	(561,577)	(552,886)	(702,626)	(700,717)	(776,924)
Fair Value of Assets	452,163	446,934	547,228	563,920	598,970
Surplus / (Deficit) in the scheme	(109,414)	(105,952)	(155,398)	(136,797)	(177,954)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The overall impact is an increase in the deficit over the year. See section 1.5.4 for more details. The total liability of £178m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

10.5.2 The Teacher's Pension Scheme

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

Comprehensive Income & Expenditure Statement Entries	2017-18 £000	2018-19 £000
Included in Net Operating Expenditure		
Total contributions charged to the accounts	6,128	6,089
Cost of discretionary awards made in year	28	61
Employees contribution rate	7.4% - 11.7%	7.4% - 11.7%
Employers contribution rate	16.4%	16.5%

10.6 REMUNERATION DETAILS

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

- Chief Executive / Head of Paid Service and Directors including pension contributions. The total contribution rate for employer pension contributions was 15.8% for 2017-18 and 16.9% for 2018-19.

Senior Officers		Gross Salary, Fees & Other Emoluments	Employer Pension Contributions to Local Government Pension Scheme	Benefits in kind
		£	£	£
Chief Executive/Returning Officer*	2017-18	169,783	20,887	9,615
	2018-19	138,123	22,860	12,346
Director of Finance**	2017-18	109,155	18,128	4,249
	2018-19	114,034	19,948	6,137
Director of Development***	2017-18	116,770	18,337	11,009
	2018-19	119,121	20,070	13,682
Director for Children & Schools	2017-18	111,798	17,609	9,269
	2018-19	116,736	19,728	10,299
Director of Social Services****	2017-18	108,884	17,123	8,231
	2018-19	114,129	19,272	9,348
*Includes Election related fees £37,167 for 2017-18; £2,856 for 2018-19				
**Director of Finance became Director of Resources during 2018-19				
***Director of Development became Director of Community Services during 2018-19				
****Director of Social Services became Director of Social Services & Housing during 2018-19				

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	
	2017-18	2018-19
£60,000 - £64,999	15	20
£65,000 - £69,999	15	12
£70,000 - £74,999	4	2
£75,000 - £79,999	9	3
£80,000 - £84,999	2	7
£85,000 - £89,999	1	4
£90,000 - £94,999	5	-
£95,000 - £99,999	2	5
£100,000 - £104,999	-	3
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999*	-	1
*Banding includes termination benefits for secondary school senior staff member reported in note 10.6.3		

The remuneration of the Council's Chief Executive during 2018-19 was £135,267. The median remuneration of all the Council's employees during 2018-19 was £19,624. The ratio of the remuneration of the Council's Chief Executive to the median remuneration of all the Council's employees during 2018-19 was approximately 6.9 : 1.

The remuneration of the Council's Chief Executive / Head of Paid Service during 2017-18 was £132,615. The median remuneration of all the Council's employees during 2017-18 was £18,489. The ratio of the remuneration of the Council's Chief Executive / Head of Paid Service to the median remuneration of all the Council's employees during 2017-18 was approximately 7.2 : 1.

10.6.2 Members Allowances

The total allowances including taxable benefits paid to Members in the year totalled £1,121,24 compared with £1,094,476 in 2017-18.

10.6.3 Termination Benefits

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

Redundancy & Other Termination Costs (Current Year)	2017-18				2018-19			
Band	No's			£000	No's			£000
	Compulsory	Other	Total		Compulsory	Other	Total	
£0 - £20,000	19	78	97	742	22	72	94	824
£20,001 - £40,000	2	19	21	600	4	13	17	418
£40,001 - £60,000	-	10	10	490	-	10	10	455
£60,001 - £80,000	-	-	-	-	-	3	3	219
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-
Total	21	107	128	1,832	26	98	124	1,916

Pension Costs - Capital Settlement (Current Year)	2017-18		2018-19	
Band	No's	£000	No's	£000
£0 - £20,000	22	130	40	315
£20,001 - £40,000	9	245	10	273
£40,001 - £60,000	1	40	3	157
Total	32	415	53	745
Pension Costs - Annual Contribution (Prior Year)	2017-18		2018-19	
	£000		£000	
Annual Contribution	927		1,181	
Total	927		1,181	

10.7 AUDIT FEES

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

	2017-18*	2018-19
	£000	£000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	173	175
Fees payable to the Auditor General for Wales in respect of statutory inspections and the LG Measure	116	110
Fee payable for the certification of grant claims and returns	47	46
Total	336	331

* The 2017-18 fees were based on estimates in the previous year and have been restated to reflect the actual fees incurred. The figures for the 2018-19 fees are estimated.

10.8 RELATED PARTIES

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

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

10.8.1 Members of the Council

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

Members of the Council are nominated to serve on numerous outside bodies some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. When sitting on these bodies Members are expected to act independently and not to represent the views of the County Council. Membership details are available from the Head of Legal & Democratic Services, County Hall, Haverfordwest.

During 2018-19 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 2018-19, where material these are detailed in the table below:

Member	Body	Relationship	2018-19 Income £000	2018-19 Debtors £000	2018-19 Expenditure £000	2018-19 Creditors £000
Alison Tudor	Hywel Dda	Employee	(1,181)	1,107	2,476	(186)
Alison Tudor	Torch Theatre Company Limited	Board Member	(15)	0	122	0
Brian Hall	Valero Energy Corporation	Committee Member	(29)	0	727	0
Cris Tomos	Pembrokeshire Frame	Committee Member	(0)	0	249	0
Cris Tomos	Pembrokeshire College	Board Member	(1)	0	298	0
David Bryan	Pembrokeshire People First	Committee Member	0	0	35	0
Di Clements	Pembrokeshire Coast National Park Authority	Committee Member	(1)	0	37	(1)
Guy Woodham	Torch Theatre Company Limited	Employee	(15)	0	122	0
Huw George	Pembrokeshire Frame	Director	(0)	0	249	0
Huw George	Valero Energy Corporation	Committee Member	(29)	0	727	0
Jon Harvey	Family Housing Association (Wales) LTD	Development Manager	0	0	93	0
Jonathan Preston	Tenby Museum	Trustee	0	0	19	0
Joshua Beynon	Torch Theatre Company Limited	Director	(15)	0	130	0
Joshua Beynon	V C Gallery	Trustee	0	0	21	0
Michael James (David)	Pembrokeshire College	Board Member	(1)	0	298	0
Michael James (David)	Welsh Government Association		0	0	107	0
Michael Williams	Tenby Museum	Trustee	0	0	19	0
Michelle Batemen	V C Gallery	Trustee	0	0	21	0
Neil Prior	Welsh Government Association		0	0	107	0
Pat Davies	Fishguard and Goodwick Young Persons Trust Ltd	Director	0	0	26	0
Pearl Llewellyn	Valero Liason Committee	Committee Member	(29)	0	727	0
Phil Baker	Saundersfoot Bay Development Trust	Director	0	0	38	0
Rhys Sinnett	Torch Theatre Company Limited	Director	(112)	112	238	(4)
Rhys Sinnett	Hywel Dda	Employee	(1,181)	1,107	2,476	(186)
Rhys Sinnett	Pembrokeshire Care Society	Director	(8)	8	175	(8)
Rhys Sinnett	Pembrokeshire Mind		(0)	0	491	(34)
Rhys Sinnett	Milford Port Advisory Committee	Committee Member	(12)	12	208	0
Rhys Sinnett	Pembrokeshire Citizen Advice	Board Member	(15)	0	122	0
Rhys Sinnett	ATEB Group Ltd	Close Family Member	0	0	405	0
Simon Hancock	Hywel Dda	Independent Member	(1,181)	1,107	2,476	(186)
Simon Hancock	Torch Theatre Company Limited	Board Member	(15)	0	130	0
Simon Hancock	V C Gallery	Chair	0	0	21	0
Tessa Hodgson	Valero Liason Committee	Committee Member	(29)	0	727	0
Thomas Tudor	Hywel Dda	Employee	(1,181)	1,107	2,476	(186)
Tim Evans	Citizens Advice Bureau		(112)	112	234	0
Tony Baron	Pembrokeshire College	Board Member	(1)	0	298	0
Jon Haswell	Pembrokeshire College	Board Member	(1)	0	298	0
Kate Evan-Hughes	Pembrokeshire College	Board Member	(1)	0	298	0
Steven Jones	Pembrokeshire College	Board Member	0	0	414	(18)
Steven Jones	Glas Cymru (Welsh Water)	Board Member	(1)	0	298	0

10.8.2 Officers

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

10.8.3 Contracts

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

10.8.4 Material Relationships

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

10.8.4.1 UK and Welsh Governments

The UK and Welsh Governments, and to a lesser extent the European Union, have the responsibility for the statutory framework and provide the majority of the Council's funding, much of which is subject to specific terms and conditions. They can, therefore, exert effective control over the operations of the Council. Details of grants received are set out within note 10.1.4. Grant receipts outstanding at 31 March 2019 are set out within note 12.6.3.

10.8.4.2 Other Public Bodies

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

10.8.4.3 Pooled Budgets

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

	Joint Equipment Store	
	2017-18 £000	2018-19 £000
Balance B/fwd	-	-
Contributions:		
PCC	316	332
Hywel Dda	383	311
Expenditure in Year	699	643
Balance C/Fwd	-	-

10.8.4.4 Jointly Controlled Operations

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

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

Education through Regional Working (ERW)

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

Education through Regional Working				
Income and Expenditure	2017-18		2018-19	
	Total ERW Costs	PCC Share Costs	Total ERW Costs	PCC Share Costs
	£000	£000	£000	£000
Expenditure	70,575	9,668	70,024	9,509
Income	(70,396)	(9,643)	(69,853)	(9,486)
Net Expenditure	179	25	171	23
Net Pensions Interest	37	5	(87)	(12)
Movement on Reserves	(216)	(30)	(84)	(11)
Net (Surplus) / Deficit	-	-	-	-
Balance Sheet as at 31 March	2017-18		2018-19	
	Total ERW Costs	PCC Share Costs	Total ERW Costs	PCC Share Costs
	£000	£000	£000	£000
Current Assets	10,198	1,397	1,866	253
Current Liabilities	(9,716)	(1,331)	(1,443)	(196)
Total Assets Less Liabilities	482	66	423	57
Long Term Liabilities	(292)	(40)	(316)	(43)
Total Long Term Liabilities	(292)	(40)	(316)	(43)
Net Assets	190	26	107	14
Reserves	(190)	(26)	(107)	(14)
Total Financing	(190)	(26)	(107)	(14)

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

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

10.8.4.5 Controlled or Influenced Entities

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

11.0 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

11.1 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND REGULATORY FUNDING BASIS

Actuals 2018-2019	General Fund Working Balance £000	HRA Working Balance £000	Capital Receipts & Grants Reserves £000	Total Usable Reserves £000	Unusable Reserves £000
Amounts included in Total Comprehensive Income and Expenditure required by regulation to be excluded to arrive at the funding position					
Depreciation	(15,376)	(4,032)	-	(19,408)	19,408
Impairment / Revaluation	(1,212)	(7,391)	-	(8,603)	8,603
Capital Grants Treated As Income	22,025	3,995	-	26,020	(26,020)
Revenue Expenditure Funded From Capital Under Statute	(11)	-	-	(11)	11
Disposal of Non-Current Assets	(20)	9	(7,397)	(7,408)	7,408
Use of Capital Receipts, Grants & Contributions to finance Capital Expenditure	-	-	-	-	-
Use of Capital Receipts set aside as reserved receipts	-	-	1,388	1,388	(1,388)
Transfer from Deferred Capital Receipts on receipt of cash	-	-	-	-	-
Capital Grants & Contributions Unapplied	-	-	-	-	-
Financing Cost Adjustment (EIR adjustment)	(31)	-	-	(31)	31
Pension Cost Adjustment	(35,579)	(1,290)	-	(36,869)	36,869
Employee Benefits – Leave Accrual	404	-	-	404	(404)
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position					
Minimum Revenue Provision	3,351	1,545	-	4,896	(4,896)
Statutory Repayment of Debt (Finance Lease Liabilities)	17	-	-	17	(17)
Statutory Repayment of Debt (PFI)	263	-	-	263	(263)
Capital Expenditure Charged To Council Fund (inc PFI Lifecycle)	5,165	9,811	-	14,976	(14,976)
Amortisation of net premium/discounts in relation to financial instruments	88	-	-	88	(88)
Employers contributions to pension schemes	12,600	571	-	13,171	(13,171)
Other Adjustments	-	-	-	-	(200)
Net Adjustment Required	(8,316)	3,218	(6,009)	(11,107)	10,907

Actuals 2017-2018	General Fund Working Balance	HRA Working Balance	Capital Receipts & Grants Reserves	Total Usable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
Amounts included in Total Comprehensive Income and Expenditure required by regulation to be excluded to arrive at the funding position					
Depreciation	(15,256)	(3,955)	-	(19,211)	19,211
Impairment / Revaluation	(4,239)	(7,748)	-	(11,987)	11,987
Capital Grants Treated As Income	20,460	3,986	-	24,446	(24,446)
Revenue Expenditure Funded From Capital Under Statute	-	-	-	-	-
Disposal of Non-Current Assets	517	(12)	(3,377)	(2,872)	2,872
Use of Capital Receipts, Grants & Contributions to finance Capital Expenditure	-	-	15	15	(15)
Use of Capital Receipts set aside as reserved receipts	-	-	530	530	(530)
Transfer from Deferred Capital Receipts on receipt of cash	-	-	-	-	-
Capital Grants & Contributions Unapplied	-	-	-	-	-
Financing Cost Adjustment (EIR adjustment)	(32)	-	-	(32)	32
HRA Subsidy Exit Settlement	-	-	-	-	-
Pension Cost Adjustment	(26,308)	(1,335)	-	(27,643)	27,643
Employee Benefits – Leave Accrual	(110)	-	-	(110)	110
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position					
Minimum Revenue Provision	2,386	1,587	-	3,973	(3,973)
Statutory Repayment of Debt (Finance Lease Liabilities)	15	-	-	15	(15)
Statutory Repayment of Debt (PFI)	241	-	-	241	(241)
Capital Expenditure Charged To Council Fund (inc PFI Lifecycle)	7,073	4,640	-	11,713	(11,713)
Amortisation of net premium/discounts in relation to financial instruments	79	-	-	79	(79)
Employers contributions to pension schemes	11,353	551	-	11,904	(11,904)
Net Adjustment Required	(3,821)	(2,286)	(2,832)	(8,939)	8,939

11.2 USABLE RESERVES

11.2.1 General Fund, HRA, Earmarked and Education Specific Reserves

	Balance 31 March 2018	Amended Balance 1 April 2018*	Contrib'n (from) Revenue Accounts	Contib'n to Revenue Accounts	Financing Adj & Tfr to Provision	Contrib'n to Capital Accounts	Balance 31 March 2019
	£000		£000	£000	£000	£000	£000
Working Balances							
General Fund	(7,000)	(7,000)	-	-	-	-	(7,000)
HRA	(752)	(752)	-	-	-	-	(752)
Total Working Balances	(7,752)	(7,752)	-	-	-	-	(7,752)
Earmarked Reserves							
HRA Capital Reserve							
Housing HRA	(8,794)	(8,793)	(5,478)	-	-	9,811	(4,460)
Total HRA Capital Reserve	(8,794)	(8,793)	(5,478)	-	-	9,811	(4,460)
General Fund Capital Reserves							
General Capital Fund	(2,991)	(2,992)	(196)	59	-	1,062	(2,067)
21st Century Schools	(100)	(100)	(7)	-	-	107	-
Total Capital General Fund Reserves	(3,091)	(3,092)	(203)	59	-	1,169	(2,067)
General Fund Earmarked Revenue Reserves**							
Insurance	(4,893)	(4,893)	(422)	-	754	-	(4,561)
Winter Maintenance	(227)	(227)	-	-	-	-	(227)
Risk Management	(5,120)	(5,120)	(422)	-	754	-	(4,788)
Property & Equipment	(1,433)	(1,433)	(499)	154	-	442	(1,336)
Carriageway Reconstruction	(543)	(543)	-	289	-	205	(49)
Vehicles & Plant	(6,104)	(6,104)	(1,315)	-	-	2,658	(4,761)
Cleddau Bridge	(1,635)	(1,635)	(65)	19	-	14	(1,667)
West Wales Crematorium	(506)	(506)	(139)	-	-	62	(583)
Asset Renewal & Repair	(10,221)	(10,221)	(2,018)	462	-	3,381	(8,396)
Elections	(43)	(43)	(71)	-	-	-	(114)
Social Care Reorganisation	(1,367)	(1,367)	-	359	-	-	(1,008)
Education Reorganisation	(679)	(679)	(4)	-	-	-	(683)
Equalisation	(2,089)	(2,089)	(75)	359	-	-	(1,805)
Invest to Save	(3,999)	(6,194)	(497)	15	-	293	(6,383)
Service Reconfiguration	(3,422)	(5,617)	(136)	579	-	235	(4,939)
Transformation*	(7,421)	(11,811)	(633)	594	-	528	(11,322)
Planning	(210)	(210)	-	-	-	-	(210)
County Farms Compensation	(58)	(58)	(58)	-	-	-	(116)
Regeneration Fund	(580)	(580)	-	-	-	-	(580)
Economic Development & Tourism	(166)	(166)	(9)	15	-	-	(160)
Environmental Services	(149)	(149)	(4)	-	-	-	(153)
Recycling	(975)	(975)	(20)	-	-	1	(994)
Service Delivery	(2,138)	(2,138)	(91)	15	-	1	(2,213)
Joint Arrangements	(80)	(80)	(2)	13	-	-	(69)
Local Authority Mortgage Scheme	-	-	-	-	-	-	-
Affordable Housing	(871)	(871)	(930)	22	-	-	(1,779)
Contribution to Community	-	-	(930)	149	-	-	(781)
External	(951)	(951)	(1,862)	184	-	-	(2,629)
TOTAL GENERAL FUND REVENUE EARMARKED RESERVES	(27,940)	(32,330)	(5,101)	1,614	754	3,910	(31,153)
TOTAL SCHOOLS & RELATED RESERVES	(5,098)	(5,098)	(2,186)	1,069	-	-	(6,215)
Schools ISB Balances	(1,782)	(1,782)	(1,606)	863	-	-	(2,525)
School Catering SLA	(196)	(196)	(100)	-	-	-	(296)
Schools Maintenance SLA	-	-	(250)	-	-	-	(250)
Schools Supply Insurance	(492)	(492)	(165)	-	-	-	(657)
PFI ICT	(19)	(19)	(48)	48	-	-	(19)
PFI RSG Equalisation	(2,609)	(2,609)	(17)	158	-	-	(2,468)

*Restated see table 11.2.3 Prior Year Adjustment

** The strategy for Holding and Utilising Reserves can be found at the following [link](#).

11.2.2 Capital Receipts, Grants & Contributions Reserves Transactions

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

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

	Balance at 1 April 2018	Rec'd In Year	Set Aside Prov'n	In Year Transfers	Applied to Revenue	Applied To Finance Expend	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Capital Receipts Reserve							
General Fund	(4,887)	(6,009)	-	-	-	-	(10,896)
21st Century Schools	-	-	-	-	-	-	-
HRA	-	(1,388)	1,388	-	-	-	-
TOTAL	(4,887)	(7,397)	1,388	-	-	-	(10,896)

11.2.3 Prior Year Adjustments

During 2018-19 £4,390k was received which related to prior years; the majority of this income was now reclaimable Value Added Tax due to a national change in HMRC Taxation Policy. This has been adjusted in the 2017-18 accounts as detailed in the tables below:

Description	2018-19 Total £
Utilities Refunds	(10,990)
NNDR Refunds	(805,240)
Provision For Repayment of Grant to WG, in relation to partnership arrangements with the former WDA RE: Waterloo Site	239,460
WG Grant Income in relation to 21c Capital Works	(383,620)
Additional European Grant income	(40,100)
Final Claim for Housing Benefits	(144,240)
HMRC Net Vat Reclaim	(2,843,360)
Creditor & Debtor Accruals Not Materialised Due to Year End Estimates	(55,290)
Recovery of Direct Payments not utilised.	(346,780)
	(4,390,160)

	Adjustments			Statement Notes Adjusted
	Gross Total Cost £'000	Income £'000	Net Total Cost/Expend £'000	
Comprehensive Income and Expenditure Statement Adjustments				
Education Services	(21)	0	(21)	
Social Care - Childrens Services	0	0	0	
Social Care - Adult Services	(150)	0	(150)	
Housing Services	0	(144)	(144)	
Council Housing	0	0	0	
Highways & Transport Services	0	0	0	
Cultural & Related Services	0	(253)	(253)	
Planning Services	0	(26)	(26)	
Environmental Services	0	0	0	
Other Central, Corporate & Democratic Services	(516)	(3,280)	(3,796)	
Council Tax Reduction Scheme	0	0	0	
Court Services	0	0	0	
(Surplus)/Deficit on Continuing Operations	(687)	(3,703)	(4,390)	7.1, 7.2, 7.5, 9.1
Movement in Reserves Statement Adjustments				
Transfer to/from Reserves			4,390	7.3, 11.2.1
Balance Sheet Adjustments				
Short Term Debtors and Prepayments			4,390	7.4, 7.5, 12.6.1
Earmarked Reserves & Capital Receipts			(4,390)	7.4, 11.2.1

12.0 NOTES TO THE BALANCE SHEET

12.1 NON-CURRENT ASSETS

12.1.1 Fixed Assets

The Council's fixed asset portfolio was valued at £731m as at 31 March 2019 compared to £718m as at 31 March 2018.

Fixed assets acquisitions in the year were made for consideration of £12.2m. This figure is included in the total additions value of £47.0m with the remaining value relating to construction costs or work relating to existing assets.

Asset disposals realised £6.3m in respect of non-council housing and £1.3m in respect of council house sales. At 31 March 2019, surplus assets awaiting disposal have an estimated value of £2.3m, of which £2.0m is estimated as being likely to be sold within the next 12 months.

Impairments were charged in the year representing demolition of former school and public house on the Fishguard Development site

12.1.1.1 Valuation

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

Valuation Basis Gross Values	Council House Assets £000	Other Land & Bldings £000	Infra- structure £'000	Vehicle, Plant & Equip £000	Com'ty Assets £000	Heritage Assets £000	Assets Under Const'n £000	Surplus Assets £000	Total £000
Carried at Historical Cost	79,035	106,941	163,236	23,362	553	785	269	-	374,181
Valued at Fair Value as at:									
31 March 2019	1,233	33,013	-	57	45	-	-	1,916	36,264
31 March 2018	469	40,759	-	65	-	24	-	306	41,623
31 March 2017	333	60,477	-	-	-	-	-	-	60,810
31 March 2016	197,875	179,216	-	-	-	-	-	-	377,091
31 March 2015	-	6,966	3	-	-	-	-	75	7,044
Total Cost or Valuation	278,945	427,372	163,239	23,484	598	809	269	2,297	897,013

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 £6m.

The gross carrying value of the pool area of Tenby Leisure Centre (approx £1.53m) is held in trust. In accordance the Code, this has been included in the Balance Sheet. It is also reported separately as part of the Tenby Pool Trust accounts.

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

12.1.1.2 Depreciation & Impairment

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

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

12.1.1.3 Asset Usage and Categorisation

Type Of Asset	Net Book Value					
	2017-18			2018-19		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
Property Plant & Equipment						
Council Dwellings	220	198,890	199,110	236	200,503	200,739
Land & Buildings	324,516	612	325,128	396,417	631	397,048
Infrastructure	117,567	-	117,567	119,707	-	119,707
Vehicles Plant & Equipment	7,551	459	8,010	10,060	561	10,621
Heritage Assets	535	-	535	531	-	531
Community Assets	991	-	991	579	-	579
Assets Under Construction	59,353	-	59,353	269	-	269
Surplus Assets	6,837	-	6,837	2,259	-	2,259
	517,570	199,961	717,531	530,058	201,695	731,753
Intangibles	96	-	96	320	-	320
Assets Held for Sale	103	-	103	338	-	338
Total	517,769	199,961	717,730	530,716	201,695	732,411

12.1.1.4 Movement in Non-Current Asset Values Property, Plant & Equipment Details 2018-19

Owned Assets	Council House Assets £000	Other Land & Bldings £000	Infra-structure £000	Vehicle, Plant & Equip £000	Com'ty Assets £000	Heritage assets £000	Assets Under Const'n £000	Surplus Assets £000	Total Property Plant & Equip £000
Cost or Valuation At 31 March 2018	266,315	334,954	157,544	21,419	1,010	630	73,401	6,836	862,109
Prior Year Adjustment (GCA Valuation Error & Tenby Pool)	-	11,689	-	-	-	-	(11,689)	-	-
Cost or Valuation At 1 April 2017 *	266,315	346,643	157,544	21,419	1,010	630	61,712	6,836	862,109
Additions	13,806	20,904	5,695	5,828	-	179	268	7	46,687
De-recognition / disposals	(89)	(450)	-	(3,820)	-	-	-	-	(4,359)
De-recognition – other (component)	-	-	-	-	-	-	-	-	-
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount	(111)	(4,118)	-	-	-	-	-	(682)	(4,911)
Revaluations increases / (decreases) recognised in the Revaluation Reserve	391	3,762	-	57	(264)	-	-	419	4,365
Revaluations increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(88)	573	-	-	(148)	-	-	285	622
Reclassifications – PPE & Investment	-	61,711	-	-	-	-	(61,711)	-	-
Reclassifications – (to) / from Held for Sale	(1,279)	(1,653)	-	-	-	-	-	(4,568)	(7,500)
At 31 March 2019	278,945	427,372	163,239	23,484	598	809	269	2,297	897,013
Depreciation & Impairments									
Depreciation	(8,169)	(13,439)	(37,192)	(12,250)	-	(4)	(175)	-	(71,229)
Impairment	(59,036)	(8,076)	(2,785)	(1,159)	(19)	(91)	(2,184)	1	(73,349)
At 31 March 2018	(67,205)	(21,515)	(39,977)	(13,409)	(19)	(95)	(2,359)	1	(144,578)
Depreciation Charge for 2018-19	(3,902)	(8,395)	(3,318)	(2,952)	-	(4)	-	(721)	(19,292)
Impairment Losses & Non-Enhancing Expenditure to Revaluation Reserve	-	(1,500)	-	-	-	-	-	-	(1,500)
Impairment Losses & Non-Enhancing Expenditure to Surplus/Deficit on the Provision of Services	(7,302)	(1,218)	(237)	(289)	-	(179)	-	-	(9,225)
Derecognition / Disposals:									
~ W/O Accumulated Depreciation	-	258	-	3,312	-	-	-	-	3,570
~ W/O Accumulated Impairment	89	191	-	475	-	-	-	-	755
Revaluations:									
~ W/O Accumulated Depreciation	111	2,872	-	-	-	-	-	682	3,665
~ W/O Accumulated Impairment	-	1,246	-	-	-	-	-	-	1,246
Reclassifications:									
~ Transfer Accumulated Depreciation b/fwd	3	96	-	-	-	-	-	-	99
~ Transfer Accumulated Impairment b/fwd	-	(2,359)	-	-	-	-	2,359	-	-
At 31 March 2019	(78,206)	(30,324)	(43,532)	(12,863)	(19)	(278)	-	(38)	(165,260)
Balance Sheet Amount at 31 March 2019	200,739	397,048	119,707	10,621	579	531	269	2,259	731,753
Balance Sheet Amount at 31 March 2018	199,110	325,128	117,567	8,010	991	535	59,353	6,837	717,531

12.1.1.5 Comparative Movement in Non Current Asset Values Property, Plant & Equipment 2017-18

Owned Assets	Council House Assets £000	Other Land & Bldings £000	Infra-structure £000	Vehicle, Plant & Equip £000	Com'ty Assets £000	Heritage assets £000	Assets Under Const'n £000	Surplus Assets £000	Total Property Plant & Equip £000
Cost or Valuation At 1 April 2017 *	258,116	324,548	151,860	22,066	1,370	606	32,415	7,158	798,139
Additions	8,755	10,269	5,686	2,074	-	91	44,554	-	71,429
De-recognition / disposals	-	(102)	-	(2,786)	(10)	-	-	-	(2,898)
De-recognition – other (component)	-	-	-	-	-	-	-	-	-
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount	(77)	(4,008)	-	-	-	-	-	(937)	(5,022)
Revaluations increases / (decreases) recognised in the Revaluation Reserve	164	5,032	-	65	(157)	(40)	-	1,004	6,068
Revaluations increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(329)	(2,604)	(105)	-	(94)	(27)	-	313	(2,846)
Reclassifications – PPE & Investment*	276	14,607	103	-	(99)	-	(15,257)	370	-
Reclassifications – (to) / from Held for Sale	(590)	(1,099)	-	-	-	-	-	(1,072)	(2,761)
At 31 March 2018	266,315	346,643	157,544	21,419	1,010	630	61,712	6,836	862,109
Depreciation & Impairments									
Depreciation	(4,371)	(7,820)	(34,000)	(11,656)	-	-	(18)	-	(57,865)
Impairment	(51,618)	(6,492)	(2,675)	(1,675)	(29)	-	(763)	(4)	(63,256)
At 31 March 2017	(55,989)	(14,312)	(36,675)	(13,331)	(29)	-	(781)	(4)	(121,121)
Depreciation Charge for 2017-18	(3,847)	(8,369)	(3,191)	(2,814)	-	(4)	-	(926)	(19,151)
Impairment Losses & Non-Enhancing Expenditure to Revaluation Reserve	-	(1,405)	-	-	-	(86)	(1,588)	-	(3,079)
Impairment Losses & Non-Enhancing Expenditure to Surplus/Deficit on the Provision of Services	(7,418)	(1,567)	(110)	(35)	-	(5)	-	-	(9,135)
Derecognition / Disposals:									
~ W/O Accumulated Depreciation	-	-	-	2,220	-	-	-	-	2,220
~ W/O Accumulated Impairment	-	99	-	551	10	-	-	-	660
Revaluations:									
~ W/O Accumulated Depreciation	77	2,553	-	-	-	-	-	932	3,562
~ W/O Accumulated Impairment	-	1,456	-	-	-	-	-	5	1,461
Reclassifications:									
~ Transfer Accumulated Depreciation b/fwd	(28)	197	(1)	-	-	-	(157)	(6)	5
~ Transfer Accumulated Impairment b/fwd	-	(167)	-	-	-	-	167	-	-
At 31 March 2018	(67,205)	(21,515)	(39,977)	(13,409)	(19)	(95)	(2,359)	1	(144,578)
Balance Sheet Amount at 31 March 2018	199,110	325,128	117,567	8,010	991	535	59,353	6,837	717,531
Balance Sheet Amount at 31 March 2017	202,127	310,236	115,185	8,735	1,341	606	31,634	7,154	677,018

*£11.7m has been moved from assets under construction to land and buildings in relation to a school that became operational from Oct 2017. No depreciation was charged.

12.1.1.6 Heritage Assets

Heritage Assets with a net carrying amount of £535k and £531k were held for 2017-18 and 2018-19 respectively. Further details of the Council's Heritage Assets can be obtained from the Pembrokeshire Museums and Archives Services.

12.1.2 Fixed Asset Disposals and De-recognitions in the Year

The gross carrying value of assets disposed of in the year were :	2017-18 £000	2018-19 £000
Disposals		
Council Housing	529	1,379
Building Plots and Land	761	5,162
Investment Property	-	-
Other	1,465	1,165
Total Disposals	2,755	7,706
De-recognitions		
Council Housing	-	(89)
Building Plots and Land	10	-
Investment Property	-	-
Other	2,786	3,909
Total De-recognitions	2,796	3,820

12.1.3 Intangible Assets

Certain externally purchased software packages are recognised as intangible assets in the Balance Sheet, having a net carrying amount of £96k and £320k for 2017-18 and 2018-19 respectively.

12.1.4 IFRS 13 Fair Value Measurement – Surplus Assets

The fair value of the Council's surplus assets were £6,761k and £2,622k as at 31 March 2018 & 2019 respectively. Significant unobservable (Level 3) inputs were used to arrive at these valuations.

Valuation Techniques

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

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

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

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

Significant observable inputs – level 3

The Fair Value has been based on comparable evidence, external advice and similar sales agreed. Therefore, the level of unobservable inputs are significant, leading to the properties being categorised at Level 3 in the Fair Value hierarchy. Changes in market conditions will result in increases and decreases in the Fair Value.

Highest and Best Use of Surplus properties

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

12.1.5 Capital Expenditure and Financing

12.1.5.1 Capital Expenditure in Year

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

	2017-18 £000	2018-19 £000
Capital Expenditure Analysed by Services:		
Education	50,648	17,712
Social Services	403	394
Transport	6,615	7,173
Housing – H.R.A.	8,760	13,806
Housing – Council Fund	2,071	2,245
Culture & Related Services	2,405	1,964
Development	1,769	3,725
Environmental	1,221	2,900
Corporate	833	1,806
	74,725	51,725
Assets Acquired Under Finance Leases in the Year	6	6
Capital Investment	74,731	51,731
Representing:		
Fixed Assets Property Plant & Equipment	71,429	46,687
Sunk Costs Property Plant & Equipment	15	-
Intangible Assets	9	341
Loans & Advances	801	1,337
Gross Revenue Expenditure Funded from Capital Under Statute	2,477	3,366
	74,731	51,731
Financed by:		
Loans/Supported Borrowing	17,772	6,640
Unsupported Borrowing/LGBI	18,302	734
Capital Grants, Receipts & Contributions	26,938	29,375
General Fund Reserves Applied	11,713	14,976
Finance Leases	6	6
	74,731	51,731

12.1.5.2 Capital Financing Requirement

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

	2017-18 £000	2018-19 £000
Capital Financing Requirement as at 1 April	203,982	235,303
Movements in Year		
Increase/(Decrease) in Supported Borrowing (Local & Central Taxation)	31,315	810
Assets Acquired/Disposed of Under Finance Leases	5	6
Capital Finance Requirement as at 31 March	235,302	236,119
In Year Movement		
Capital Investment:		
Property Plant and Equipment Prior Year Reversal	15	-
Property Plant and Equipment	71,429	46,687
Intangible Assets	9	341
Loans & Advances	801	1,337
Revenue Expenditure Funded From Capital Under Statute	2,477	3,366
Sub-total	74,731	51,731
Prior Year Adjustment	-	-
Total	74,731	51,731
Sources of Finance:		
Capital Receipts	(15)	-
Set Aside Capital Receipts	(530)	(1,388)
Government Grants and Other Contributions	(26,923)	(29,375)
Finance Lease Disposals	-	-
Sums Set Aside From Revenue:		
- Direct Revenue Contribution	(11,713)	(14,976)
- Minimum Revenue Provision	(4,229)	(5,176)
- Miscellaneous adjustment	(1)	-
	(43,411)	(50,915)
Increase/(Decrease) in Capital Financing Requirement	31,320	816

12.1.5.3 Capital Contract Commitments

The following represents amounts committed under major works contracts. £2.467m has been accrued in the 2018-19 accounts.

The major commitments under capital contracts at the 31 March are:	2017-18 £000	2018-19 £000
Education	20,703	4,600
Social Services	3	3
Transport	3,018	1,810
Housing – H.R.A.	2,038	1,571
Housing – Council Fund	459	246
Culture & Related Services	1,001	271
Development	686	774
Environmental	41	1,866
Corporate	73	1,730
	28,022	12,871

Education commitments have decreased due to the 21st Century Schools Band A Programme nearing completion.

12.2 PRIVATE FINANCE INITIATIVE

12.2.1 P.F.I. Arrangements

During 2000-01 the Council entered into a Private Finance Initiative scheme to facilitate the provision of a new Primary School and office facility at Pembroke Dock. The 30-year agreement was signed on 1 June 2000 with an initial capital outlay of £8.9m. The cost in the year for the serviced facility was £1.49m. Future commitments over the life of the contract are estimated to be £15.1m.

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

12.2.2 Valuation Depreciation and Impairment

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

12.2.3 PFI Transactions

12.2.3.1 Movement in PFI Asset Values

	2017-18 £000	2018-19 £000
Cost or Valuation		
At 1 April	9,824	9,974
Additions	150	86
Disposals	-	-
Reclassifications	-	-
Revaluations	-	-
At 31 March	9,974	10,060
Depreciation & Impairments		
Depreciation	(486)	(719)
Impairment	-	(143)
At 1 April	(486)	(862)
Depreciation Charge for Year	(233)	(239)
Impairment Losses for Year	(150)	(86)
Revaluation:		
W/O Accumulated Depreciation	-	-
W/O Accumulated Impairment	7	-
As at 31 March	(862)	(1,187)
Balance Sheet Amount at 31 March	9,112	8,873

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

12.2.3.2 Value of PFI Deferred Liability

	2017-18 £000	2018-19 £000
Liability		
Balance Sheet Amount at 1 April	(6,923)	(6,682)
Capital Element Repaid	241	264
Balance Sheet Amount at 31 March	(6,682)	(6,418)

12.2.3.3 PFI Lifecycle Cost Prepayment

	2017-18 £000	2018-19 £000
Prepayment		
Balance Sheet Amount at 1 April	(1,330)	(1,427)
Lifecycle Payment In Year	(247)	(256)
Lifecycle Non-Enhancing Expenditure In Year	150	86
Balance Sheet Amount at 31 March	(1,427)	(1,597)

12.2.3.4 Obligations Relating to PFI Assets

	Liability	Interest	Service Charge*	Lifecycle Replacement*	Total Oblig'n
	£000	£000	£000	£000	£000
Obligations 2019/20	289	589	239	67	1,184
Obligations 2020/21 - 2023/24	1,456	2,054	957	268	4,735
Obligations 2024/25 - 2028/29	2,746	1,642	1,196	336	5,920
Obligations 2029/30 – 2033/34	1,927	281	838	235	3,281
Obligations 2034/35 – 2038/39	-	-	-	-	-
Total Obligation At 31 March 2019	6,418	4,566	3,230	906	15,120
Total Obligation At 31 March 2018	6,682	5,179	3,469	973	16,303
*Estimated at current prices					

12.3 LEASE AND LEASE TYPE ARRANGEMENTS

12.3.1 Council as Lessee

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

The Council has operating lease commitments of £663k and £629k for 2017-18 and 2018-19 respectively.

The minimum lease payments due under Finance Lease arrangements are £985k and £964k at 31 March 2018 and 31 March 2019 respectively.

12.3.2 Council as Lessor

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

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

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

Receipts Due	Payments Receivable 2019-20	Payments Receivable 2020-21-2024-25	Payments Receivable Post 2025	Total
	£000	£000	£000	£000
Finance Leases				
Gross investment in leases				-
Minimum lease receipts*			14	14
Operating Leases				
Minimum aggregate lease payments	1,570	2,932	10,497	14,999
* Finance lease income is based on peppercorn rentals received over a period of ~999 years.				

12.4 INVENTORIES

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

	Building & Engineering Stores	Culture Environ & Planning	Catering	Other	Total
	£000	£000	£000	£000	£000
Balance at 31 March 2018	839	122	119	72	1,152
Purchases	3,428	437	1,544	665	6,074
Works In Progress				-	-
Recognised as an expense in year	(3,346)	(407)	(1,546)	(659)	(5,958)
Balance at 31 March 2019	921	152	117	78	1,268

12.5 INVESTMENTS

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

The market (fair) value reflecting the proceeds if the investments had been realised at 31 March 2019 was £51.1m. The corresponding fair value of investments at 31 March 2018 was £34.7m.

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

Investments (Loans & Receivables)	Amortised Value 31 March 2018 £000	Maturity Value			Interest Accrued in Year £000	Amortised Value 31 March 2019 £000	Fair Value 31 March 2019 £000
		1 April 2018 £000	Move-ment In Year £000	31 March 2019 £000			
Short Term (under 12 months)							
Money Market	32,772	32,732	13,334	46,066	34	46,100	46,100
Cash Equivalent							
Money Market	1,918	1,918	3,076	4,994	-	4,994	4,998
Total Investments	34,690	34,650	16,410	51,060	34	51,094	51,098

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

12.6 DEBTORS AND CREDITORS

12.6.1 Debtors and Prepayments

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

	Net 1 April 2018	Gross 31 March 2019	Impairment Allowance	Net 31 March 2019
	£000	£000	£000	£000
Amounts falling due after one year:				
Mortgages	-		-	-
Other Loans	1,352	2,434	-	2,434
Debts Against Estates	1,774	1,809	-	1,809
	3,126	4,243	-	4,243
Amounts falling due in one year:				
Trade Receivables*	9,127	11,329	(2,065)	9,264
Prepayments	2,095	2,271	-	2,271
Other Receivable Amounts*	25,409	21,170	(2,237)	18,933
	36,631	34,770	(4,302)	30,468

*Restated see table 11.2.3 Prior Year Adjustments

12.6.2 Creditors

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

	Balance 31 March 2018				Balance 31 March 2019			
	Short Term Creditors	Revenue Grants Receipts in Advance	Capital Grants Receipts in Advance	Total Creditors	Short Term Creditors	Revenue Grants Receipts in Advance	Capital Grants Receipts in Advance	Total Creditors
	£000	£000	£000	£000	£000	£000	£000	£000
Amounts falling due in one year:								
Trade Payables	(13,219)	-	(4,339)	(17,558)	(15,410)	(175)	(4,740)	(20,325)
Other Payables	(15,278)	(770)	(3,414)	(19,462)	(15,421)	(968)	(4,802)	(21,191)
	(28,497)	(770)	(7,753)	(37,020)	(30,831)	(1,143)	(9,542)	(41,516)
Loan Interest				(2,427)				(2,411)
Loans Maturing within One Year				(1,699)				(2,049)
Total Creditors				(41,146)	(30,831)	(1,143)	(9,542)	(45,976)

12.6.3 Grants Receipts in Advance

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

	Balance at 1 April 2018	Change in amount where conditions expected to be satisfied	Applied in Year Conditions Met	Returned / Accrual Reversed in Year Conditions Not Met	Received In Year Conditions Outstanding	Balance at 31 March 2019
Current Liability:						
Revenue Grants						
· General Fund	(770)	-	770	-	(1,143)	(1,143)
· HRA	-	-	-	-	-	-
Capital Grants						
· General Fund	(7,753)	-	1,629	(74)	(3,344)	(9,542)
· HRA	-	-	-	-	-	-
Total	(8,523)	-	2,399	(74)	(4,487)	(10,685)

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

Capital Grants Receipts in Advance	2017-18 £000	2018-19 £000
Current Liabilities		
WG - Home Improvements	(428)	(149)
WG - Town Centre	(2,568)	(2,129)
Contribution to Group Repair Schemes	(377)	(351)
S106 Developers Contributions	(3,323)	(3,664)
Other Capital Grants & Contributions	(1,057)	(3,249)
Total Current Liabilities Capital Grants Receipts in Advance	(7,753)	(9,542)

Revenue Grants Receipts in Advance	2017-18 £000	2018-19 £000
Current Liabilities		
Education & Childrens' Services	(97)	(360)
Adult Social Services	(5)	(306)
Culture, Environment & Planning Services	(110)	(102)
Highways & Transport Services	(40)	(47)
Central & Corporate Services	(404)	(260)
General Fund Housing & HRA	(114)	(68)
Total Current Liabilities Revenue Grants Receipts in Advance	(770)	(1,143)

12.7 CASH AND CASH EQUIVALENT

	Balance 1 April 2018 £000	31 March 2019 £000
Cash at bank / in hand	2,139	1,133
Bank Call Accounts	1,918	4,994
Cash overdrawn	-	-
Total Cash and Cash Equivalents	4,057	6,127

12.8 ASSETS HELD FOR SALE

	2017-18 £000	2018-19 £000
Balance outstanding at start of year	-	103
Assets classified as Held for Sale during year	2,756	7,401
Revaluation gains / losses	-	1
Assets sold	(2,653)	(7,167)
Balance outstanding at end of year:	103	338

12.9 PROVISIONS AND CONTINGENT LIABILITIES AND ASSETS

12.9.1 Provisions

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

	2017-18			2018-19		
	Insurance	Other	Total	Insurance	Other	Total
	£000	£000	£000	£000	£000	£000
Brought Forward at 1 April	(952)	-	(952)	(1,440)	-	(1,440)
Cost of Claims Charged To Services	407	-	407	481	-	481
Less : External Reimbursement	(24)	-	(24)	(34)	-	(34)
Other	-	-	-	-	-	-
Charged To Provision	383	-	383	447	-	447
Contributions & Transfers In Year	(871)	-	(871)	(755)	-	(755)
Balance Carried Forward at 31 March	(1,440)	-	(1,440)	(1,748)	-	(1,748)

12.9.2 Contingent Liabilities

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

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

- For the past decade the Authority has acted as a collection agent on behalf of Dwr Cymru in respect of Housing Revenue Account (HRA) Tenants water and sewerage charges. In return for this service the Authority has received a commission which has been treated as an income stream to the HRA. The treatment of this arrangement has been called in to question due to a Court ruling during 2015-16 (Kim Jones versus London Borough of Southwark) which ruled that Local Authorities collecting water rates via the HRA were doing so as a water supplier and not as an agent of the water supplier. Traditionally this has been viewed as an agency

arrangement, but the Court ruling concludes that the Authority concerned was acting as a water supplier, which has significant financial implications for those affected, both in terms of the agency fee and where action has been taken against rent arrears that could be deemed to include water rates. In order to limit this potential liability, the Council has entered into a new agreement with the water supplier from 1 April 2017, which ensures that it is acting as an agent.

- The Council is working collaboratively with the fire service to mitigate the fire tolerance levels at some of its low level blocks of flats, some are leased and others are within the HRA portfolio. Mitigation work is ongoing as flats become vacant. There is the potential for this to be a material issue for the HRA, as it could encompass 91 front doors and 37 cupboard doors totalling £91k.
- The impact of Brexit on the Council is unknown until the exit arrangements are confirmed.

12.9.3 Contingent Assets

Cleddau Bridge tolls ceased on 31 March 2019, the Council was in discussion with the Welsh Government with a view to agreeing a mechanism for compensating the Council for the loss of income originating from the tolls.

12.10 LONG TERM BORROWING

12.10.1 Analysis of Loan Transactions in Year

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

Amortised Value	2017-18	Market Loans	NAW	PWLB	2018-19
	£000	£000	£000	£000	£000
Maturity Value	(198,934)	(40,000)	(1,000)	(161,785)	(202,785)
Financial Adjustment Account Entries					
Effective Interest Rate Adjust					
• Prior years	(508)	(576)	35	-	(541)
• Current year	(32)	4	(35)	-	(31)
Deferred Liabilities Account Entries					
Discounts Transferred	(200)	(200)	-	-	(200)
Less Discount write down					
• Prior years	16	18	-	-	18
• Current year	2	2	-	-	2
Council Fund Account Entries					
Effective Interest Rate w/off	(8)	(8)	-	-	(8)
Amortised Value	(199,664)	(40,760)	(1,000)	(161,785)	(203,545)

12.10.2 Comparison of Maturity Value and Fair Value

The fair value is an estimate of what the loan portfolio would cost to redeem as at 31 March 2019. 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	2017-18	Market Loans	NAW	PWLB	2018-19
	£000	£000	£000	£000	£000
Maturity Value					
As at 1 April					
Long Term Borrowing	(200,633)	(40,000)	(100)	(158,834)	(198,934)
Short Term Borrowing	(1,517)	-	(100)	(1,599)	(1,699)
Total Borrowing	(202,150)	(40,000)	(200)	(160,433)	(200,633)
Repaid in Year	4,517	-	200	1,599	1,799
Raised in Year	(3,000)	-	(1,000)	(5,000)	(6,000)
As at 31 March					
Long Term Borrowing	(198,934)	(40,000)	(1,000)	(161,785)	(202,785)
Short Term Borrowing	(1,699)	-	-	(2,049)	(2,049)
Total Borrowing	(200,633)	(40,000)	(1,000)	(163,834)	(204,834)
Change in amount due in less than 1 year	(182)	-	100	(450)	(350)
Fair Value	(292,056)	(66,195)	(859)	(232,074)	(299,128)

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 2019. However for comparison calculating fair value using exit pricing would have resulted in a value of £352.5m calculated on an early repayment discount rate method. The Authority has no contractual obligations to pay these penalty costs and would not incur any additional cost if the loans run to their maturity date.

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

12.11 DEFERRED LIABILITIES

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

	Balance at 1 April 2018	Incurred In Year	Released In Year	In Year PV Adjust-ment	Balance at 31 March 2019
	£000	£000	£000	£000	£000
S. Care Debts Against Estates	(1,775)	(611)	585	(8)	(1,809)
Private Finance Initiative (PFI)	(6,682)		264		(6,418)
Finance Leases (Property)	(160)				(160)
Finance Leases (Equipment)	(24)	(6)	16		(14)
Total	(8,641)	(617)	865	(8)	(8,401)

12.12 USABLE RESERVES

	2017-18	2018-19
	£000	£000
Earmarked Reserves (see note 11.2.1)	(49,313)	(43,895)
Capital Receipts and Contributions (see note 11.2.2)	(4,887)	(10,896)
Total	(54,200)	(54,791)

*Balances at 1 April 2018 have been restated to reflect opening balance adjustments, details of the prior year adjustments can be seen in note 11.2.3

12.13 UNUSABLE RESERVES

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

	Balance at 1 April 2018 £000	Movement in Year £000	Balance at 31 March 2019 £000
Deferred Capital Receipts Reserve*	-	-	-
Capital Adjustment Account	(337,604)	(19,267)	(356,871)
Revaluation Reserve	(146,138)	4,071	(142,067)
Financial Instruments Adjustment Account	958	(57)	901
Accumulated Absences Account	1,634	(404)	1,230
Pensions Reserve	136,797	41,157	177,954
PFI Lifecycle Reserve	(1,427)	(170)	(1,597)
Unusable Reserves Total	(345,780)	25,330	(320,450)

*Prior year adjustment – see table below

12.13.1 Deferred Capital Receipts

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

	Balance at 1 April 2018 £000	Prior Year Adjustment £000	Restated Balance 1 April 2018 £000	Balance at 31 March 2019 £000
Council House & Commercial Mortgages	(48)	48	-	-

12.13.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2017-18 £000	2018-19 £000
Balance 1 April	(324,806)	(337,604)
Prior year write down of photocopier liability	1	-
Prior year sunk cost	15	-
Prior year capital spend transferred to revenue	(18)	-
Restated Balance 1 April	(324,808)	(337,604)
Amounts Set Aside To Repay Debt		
- Minimum Revenue Provision	(4,229)	(5,176)
- Reserved Capital Receipts	(530)	(1,388)
Financing of Expenditure on Fixed Assets:		
- Capital Fund applied	(10,700)	(10,980)
- Other Funds applied	(1,013)	(3,996)
- Capital Receipts applied	(15)	-
- Capital Grants & Contributions credited to CI&E applied to capital financing	(24,446)	(26,020)
Income & Expenditure Statement Charges:		
- Write down of Net Revenue Expenditure Funded from Capital Under Statute	-	11
- Amount Provided for Depreciation	19,211	19,408
- Non-Enhancing Expenditure	9,122	9,153
- Impairment	19	72
- Revaluation Loss	4,525	1,359
- Revaluation Gain used to reverse previous Revaluation Loss	(1,679)	(1,981)
- Write down of Deferred Liability	200	208
- Write down of Cleddau Bridge Loan	-	(200)
Fixed Asset Movements:		
- Disposals	2,672	7,200
- Valuation Adjustments	-	(1)
Revaluation Reserve Movements:		
- Amounts written off	(5,933)	(6,936)
Balance Carried Forward 31 March	(337,604)	(356,871)

12.13.3 Revaluation Reserve

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

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

	2017-18 £000	2018-19 £000
Balance Brought Forward at 1 April	(149,082)	(146,138)
Revaluation Gains	(11,706)	(6,672)
Downward revaluation and impairment*	8,717	3,807
Surplus/Deficit on revaluation of non-current assets not charged to the surplus/deficit on the provision of services	(2,989)	(2,865)
Write off excess current value depreciation over historical cost depreciation	4,382	4,103
Write off excess current value impairment over historical cost impairment	-	-
Write off balance re asset disposals	1,551	2,832
Write off balance re miscellaneous assets (e.g. scrapped and demolished assets)	-	-
Total Written Off	5,933	6,936
Category Transfers	-	-
Balance Carried Forward at 31 March	(146,138)	(142,067)
* Where there is no previous valuation gain, losses are charged to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement		

12.13.4 Financial Instrument Adjustment Account

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

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

	2017-18 £000	2018-19 £000
Balance 1 April	1,005	958
Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the Council Fund Balance		
Effective interest rate adjustment	32	31
PWLB premium paid	-	-
PWLB discount received	-	-
Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the Council Fund Balance for the year		
Write down of deferred discounts	9	-
Write down of deferred premiums	(88)	(88)
Balance 31 March	958	901

12.13.4.1 Nature and Extent of Risks Arising From Financial Instruments

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

Credit Risk

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

Investment Credit Risk

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

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

Credit Exposures

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

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

Liquidity Risk

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

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

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

Market Risks

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

Interest Rate Risk

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

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

rates had been 1% higher at 31 March 2019 the net financial effect would be increased interest income of £290k.

Price Risk

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

Foreign Exchange Risk

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

- The Council has one grant aided scheme where the grant is denominated in Euros. A Euro Bank account was opened to support this scheme. The Council is the lead body for the Bucaneer Grant for the period 2017-18 to 2020-21 in which the grant is claimed in euros for all parties, including Pembrokeshire. Although the Council redistributes the grant received to all parties in euros the Council is exposed to exchange risk on their remaining element. There was no balance on the Euro account as at 31 March 2019.
- As set out in The Treasury Management Governance Arrangements the Council acknowledge their pursuit for "Value for Money" for all their treasury activities and in addition there is a project risk register. As at the 31 March 2019 there was a debtor of £63k relating to grant outstanding, therefore the exchange rate risk is immaterial.

12.13.4.2 Analysis of Loans Portfolio at Maturity Value by Lender and by Maturity Profile at 31 March 2019

Due for Redemption Within:	1 Year £000	1-2 Years £000	2 to 5 Years £000	5 to 10 Years £000	Over 10 Years £000	Total 2018-19 £000
Market Loans	-	-	-	-	40,000	40,000
NAW	-	-	-	-	-	-
WG	-	125	375	500	-	1,000
PWLB	2,049	8,375	14,583	14,593	124,234	163,834
Total	2,049	8,500	14,958	15,093	164,234	204,834
Fixed rate	2,049	8,500	14,958	15,093	149,234	189,834
Variable rate	-	-	-	-	15,000	15,000
Total	2,049	8,500	14,958	15,093	164,234	204,834

12.13.4.3 Analysis of Investment Portfolio at Maturity Value by Credit Exposure and by Maturity Profile at 31 March 2019

Due for Realisation Within :	1 Year £000	2 Years £000	5 Years £000	Total 2018-19 £000
Specified Investments (duration when made less than 364 days)				
Banks & Building Societies	51,060	-	-	51,060
Local Authorities	-	-	-	-
Non Specified (duration when made greater than 364 days)				
	-	-	-	-
Total	51,060	-	-	51,060
Fixed rate	39,000	-	-	39,000
Variable rate (Call Accounts)	12,060	-	-	12,060
Total	51,060	-	-	51,060

12.13.5 Accumulated Absences Account

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

	2017-18 £000	2018-19 £000
Balance 1 April	1,524	1,634
Settlement or cancellation of preceding year's accrual	(1,524)	(1,634)
Accrual for current year	1,634	1,230
Balance 31 March	1,634	1,230

12.13.6 PFI Lifecycle Reserve

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

12.13.7 Pensions Reserve

The Pensions Reserve relates to the Dyfed Pension Scheme (see note 10.5) and absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

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

	2017-18 £000	2018-19 £000
Balance 1 April	155,398	136,797
Remeasurements of Pension Liabilities and Assets	(34,340)	17,459
Reversal of items chargeable to the surplus/ deficit on the provision of services in the Comprehensive Income and Expenditure Statement	27,643	36,869
Employers pension contributions and other direct payments in the year	(11,904)	(13,171)
Balance 31 March	136,797	177,954

13.0 HOUSING REVENUE ACCOUNT (HRA)

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

13.1 MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

	2017-18		2018-19	
	HRA Working Balance	Earmarked HRA Reserves	HRA Working Balance	Earmarked HRA Reserves
	£000	£000	£000	£000
Balance 1 April	(752)	(8,247)	(752)	(8,794)
(Surplus) / Deficit On HRA Services	1,491	-	839	-
Adjustments between Accounting Basis and Regulatory Funding Basis.				
Amounts included in HRA Income and Expenditure required by regulation to be excluded to arrive at the funding position				
- Depreciation, impairment & revaluation of Council dwellings & infrastructure	(11,703)	-	(11,423)	-
- Capital Grants treated as revenue income	3,986	-	3,995	-
- Net gain or loss on disposal of non-current assets	(12)	-	9	-
- Pension Cost Adjustment	(1,335)	-	(1,290)	-
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position:				
- Provision for repayment of debt	1,587	-	1,545	-
- Revenue contribution to finance capital	4,640	-	9,811	-
- Employer's contribution to the Dyfed Pension Fund	551	-	571	-
Net (Increase) / Decrease Before Transfers (To) / From Reserves	(2,286)	-	3,218	-
Transfers (To)/ From Reserves	795	(547)	(4,057)	4,334
(Increase) / Decrease In Year	(1,491)	(547)	(839)	4,334
Balance 31 March	(752)	(8,794)	(752)	(4,460)

13.2 HRA INCOME AND EXPENDITURE STATEMENT

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

	2017-18			2018-19		
	Rent Setting £000	Adjusts £000	IFRS Report £000	Rent Setting £000	Adjusts £000	IFRS Report £000
Income						
Rents: Dwellings (gross)	(21,571)	-	(21,571)	(22,860)	-	(22,860)
Other	(368)	-	(368)	(365)	-	(365)
Charges for services and facilities	(531)	-	(531)	(486)	-	(486)
Contributions towards expenditure	(639)	-	(639)	(615)	-	(615)
Total Income	(23,109)	-	(23,109)	(24,326)	-	(24,326)
Expenditure						
Repairs and maintenance (Pensions IAS19 adj)	7,921	229	8,150	9,019	212	9,231
Supervision and management (Pensions IAS19 adj)	3,822	370	4,192	4,183	341	4,524
Rents, rates, taxes & other charges	22	-	22	26	-	26
Bad debt provision	248	-	248	249	-	249
Depreciation, impairment & revaluation movements of non current assets	-	11,703	11,703	-	11,423	11,423
Debt management costs	10	-	10	10	-	10
Total Expenditure	12,023	12,302	24,325	13,487	11,976	25,463
HRA services share of corporate and democratic core	73	-	73	75	-	75
HRA Services share of non distributed costs	-	-	-	-	-	-
Net Cost / (Income) of HRA Services	(11,013)	12,302	1,289	(10,764)	11,976	1,212
HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement						
Interest receivable	(3)	-	(3)	(60)	-	(60)
Minimum Revenue Provision	1,587	(1,587)	-	1,545	(1,545)	-
Interest payable (including debt redemption premiums and discounts)	3,995	-	3,995	3,524	-	3,524
Appropriations to Reserves	5,434	(5,434)	-	5,755	(5,755)	-
(Gains)/Loss on HRA assets	-	12	12	-	(9)	(9)
Major Repairs Allowance & Other Grants	-	(3,986)	(3,986)	-	(3,995)	(3,995)
Pensions interest costs and expected rate of return	-	184	184	-	167	167
(Surplus) / Deficit for Year on HRA Services	-	1,491	1,491	-	839	839

13.3 NOTES TO THE HRA STATEMENTS

13.3.1 Housing Stock

The Council was responsible for the maintenance and management of an average stock of 5653 dwellings and 1,075 shops and garages in 2018-19 comprising of:

	Stock at 1 April 2018	Additions	Transfers	Sales / Demolitions	Stock at 31 March 2019
Houses / Bungalows	4,380	5	-	(21)	4,364
Bedsits and Flats	1,279	4	-	-	1,283
Shops and Garages	1,075	-	-	-	1,075
Pumping Stations & Treatment Works	27	-	-	-	27
Total Stock	6,761	9	-	(21)	6,749

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

13.3.2 Rents - Dwellings

This is the total rent income due for the year after an allowance has been made for empty properties etc. Weekly rents were increased by 4.5% in 2018-19, plus up to £0.60 per week for properties that were under Welsh Government Target Rent Levels. (No properties are above target rent levels). The average opening un-rebated rent collectable being £78.45. Individual rent increases applied varied between £3.00 and £5.64 per week (52 week). In addition to annual rent increases, properties which become void are re-let at target rent levels, this has a considerable impact on average rent level calculations, due to the high number of voids each year, and should be taken into consideration when looking at the comparative figures for 2017-18 which are 2.5% and £73.93 respectively.

Tenants & Former Tenants	2017-18 £000	2018-19 £000
Gross Arrears	1,310	1,418
Bad Debt Allowance	(814)	(859)
Net Arrears at 31 March	496	559

13.3.3 Services Charges

Welsh Government require Service Charges to be De-pooled from rents. During 2018-19 tenants were charged for all services received with the exception of Grounds maintenance services. Individual tenants were charged between £0.54 and £17.37 per week. 1,099 PCC tenants were charged for services with the average weekly charge being £4.95 per week (52 week).

13.3.4 Valuation of HRA Assets

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

13.3.4.1 HRA Land Purchase

In 2018-19 the HRA has purchased the following land from its General Fund for the purpose of building new Council houses and the regeneration of existing sites. In addition a number of ex Right to Buy properties and other open market houses have been acquired, to supplement the existing stock holding and meet housing need.

Old Johnston School Site

Brynhir Site Tenby

Old Hakin Infant and Junior Schools

Old Hubberston School
Property Plant & Equipment

Owned Assets	Council Housing £000	Other HRA Land & Buildings £000	Infra-structure £000	Council Housing Assets £000
Cost or Valuation				
At 1st April 2018	257,945	950	7,420	266,315
Additions	8,009	5,209	588	13,806
Derecognition - disposals	-	(89)	-	(89)
Derecognition - other	-	-	-	-
Revaluation Acc Dep & Imp w/o to GCA	(111)	-	-	(111)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	391	-	-	391
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(88)	-	-	(88)
Reclassifications - PPE & Investment	-	-	-	-
Reclassifications - Held for Sale	(1,279)	-	-	(1,279)
At 31st March 2019	264,867	6,070	8,008	278,945
Depreciation & Impairments				
Depreciation	(7,024)	(333)	(812)	(8,169)
Impairment	(58,584)	-	(452)	(59,036)
At 1st April 2018	(65,608)	(333)	(1,264)	(67,205)
Depreciation Charge for 2017/18	(3,523)	(194)	(185)	(3,902)
Impairment Losses to RR	-	-	-	-
Impairment Losses to Surplus/Deficit on the Provision of Services*	(7,302)	-	-	(7,302)
Disposals:				
~ W/O Accumulated Depreciation	-	-	-	-
~ W/O Accumulated Impairment	89	-	-	89
Revaluations				
Revaluation Acc Dep w/o to GCA	111	-	-	111
Revaluation Acc iMP w/o to GCA	-	-	-	-
Reclassifications				
~ Transfer Accumulated Depreciation b/fwd	3	-	-	3
~ Transfer Accumulated Impairment b/fwd	-	-	-	-
At 31st March 2019	(76,230)	(527)	(1,449)	(78,206)
Balance Sheet Amount at 31st March 2019	188,637	5,543	6,559	200,739
Balance Sheet Amount at 1st April 2018	192,337	617	6,156	199,110

*£7,302k impairment relates to the value of work undertaken to improve HRA assets but does not increase the value of the assets.

13.3.5 HRA Capital Expenditure and Receipts

Total Capital Expenditure Funded by:	2017-18 £000	2018-19 £000
Major Repairs Allowance Grant	3,986	3,995
Capital Grants & Contributions	134	-
Capital Receipts	-	-
Capital Fund	4,640	9,811
Total	8,760	13,806
Receipts From Asset Disposals	547	1,405

13.3.6 HRA Pension Costs

HRA pension contributions of £552k from the Pension Reserve were made in accordance with Accounting Policy 8.8 as set out in the Statement of Accounting Policies.

13.3.7 Post Balance Sheet Events

None

14.0 OTHER ACCOUNTS PREPARED OR CONTROLLED BY THE COUNCIL

The Council operates trust funds for Education & Children's Services, Social Care, Tenby Swimming Pool and Welsh Church Act Fund representing total accumulated funds of £3.9m in 2017-18 and £3.9m in 2018-19.