Pembrokeshire County Council

Annual Financial Report
Including Statement of Accounts

2019-20



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1.0 NARRATIVE REPORT

1.1 INTRODUCTION

Pembrokeshire County Council's Statement of Accounts for 2019-20 provides a record of the Council's financial performance and position for the year. This section of the report aims to communicate the Council's purpose, how it has performed in accordance with its overall strategy and against performance indicators over the year, and how it has allocated its resources in line with intended outcomes. It demonstrates collective performance over the year and how well the Council is equipped to deal with the challenges ahead and to continue delivering services and supporting its local community. It tells the story of the Council by providing a holistic, clear and well-structured view of its strategy, governance, performance and future outlook.

The Council has faced a sustained level of challenge with six years of significant reductions[1] in financial settlements and significant workforce inflation, non-workforce inflation, demographic and legislative pressures, resulting in a cumulative funding gap of £90.0m (2014-15 to 2019-20). The funding gap was bridged by a combination of £20.0m additional income from Council Tax increases (including base changes), £68.7m in cost reductions/efficiencies, a £0.6m contribution from the Council Tax 2nd homes income (community element) and a £0.7m one-off contribution from reserves.

The end of the 2019-20 financial year saw the onset of the Coronavirus Covid-19 pandemic resulting in a time of unprecedented uncertainty and financial challenge. The impact of this was first seen in March 2020 and will carry on into 2020-21 and the life of the MTFP 2020-21 to 2023-24.

Although the impact in 2019-20 was minimal, these accounts have been prepared with this in mind particularly in section 6.0 Critical Judgements in Applying Accounting Policies and Estimation Risk; section 12.1 Fixed Assets and section 12.13.4.1 Nature and Extent of Risks Arising from Financial Instruments.

1.2 ORGANISATIONAL OVERVIEW

1.2.1 Key Facts about Pembrokeshire

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

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

- Serve a population of over 124,000 people and significantly more in the summer months
- Collect rubbish and recycling from over 62,000 households
- Maintain approximately 2,500 kilometres of road, 650 bridges and 15,000 street lights
- Provide over 90 car parks with in excess of 8,000 spaces
- Are responsible for 67 schools, providing education for more than 18,300 pupils
- Provide support to pupils with additional learning needs; child protection, safeguarding and youth services

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

- Own and manage more than 5,600 homes
- Provide adults with information and advice to help them to live independently in the community, as well as direct support for over 5,000 vulnerable adults
- Develop a Local Development Plan, which we are required to review every four years, and process around 1,200 planning applications a year
- Provide a wide range of public protection services, including environmental health, trading standards and licensing
- Help maintain Pembrokeshire's award winning beaches, which boast 12 Blue Flag, 14 Green Coast and 28 Seaside Awards
- Manage the county's leisure facilities, and its libraries, museums and archives
- Employ 5,118 (6,174) people (March 2020), including those working in Schools (including casual staff).

1.2.2 Council Vision

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

1.2.3 Corporate Plan

Our Corporate Plan 2019-20 sets out our well-being objectives and how we plan to manage services in a more sustainable way. The Plan is a requirement of the Well-being of Future Generations (Wales) Act 2015.

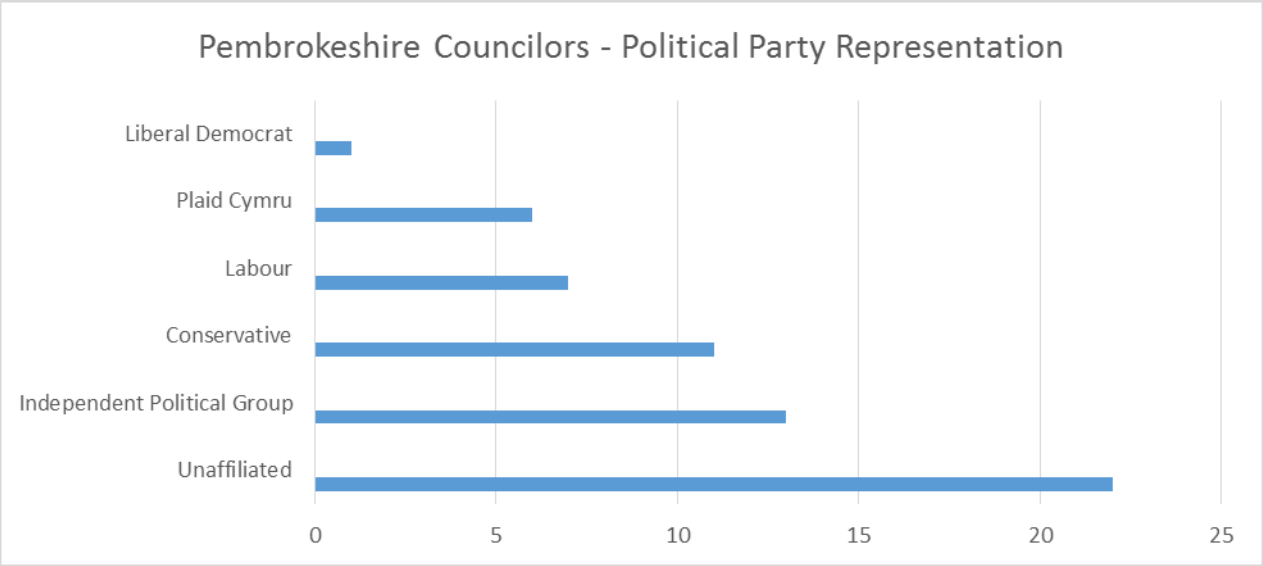
The well-being objectives are influenced by and aligned to the Cabinet's Programme for Administration 2018-22 and the Pembrokeshire Public Service Board's Well-being Plan published in May 2018.

2018-19 Well-being Objectives	Portfolio area	2019-20 Objective
1. Continue to improve education outcomes so that every child achieves and contributes more than they thought possible	Education	1. Continue to improve education outcomes so that 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	. We will 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 to 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. Transformation: • Technological transformation – maximising our use of technology to enable business change, creating efficiencies, and enabling a more agile workforce • Cultural transformation – developing a culture that is aligned to a value based, not rules based, way of working • Relationship transformation – creating, in consultation with our staff and external stakeholders, a new partnership • Improve communication of the transformation and what it is achieving.

1.2.4 Political Profile

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



1.2.5 The Constitution

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

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

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

1.2.6 Governance and Risks

We prepare an Annual Governance Statement (AGS) which accompanies the Statement of Accounts each year. This outlines the Council's governance framework, and following review of effectiveness, identifies significant governance issues, priorities for improvement and priorities for delivery, with specific actions to be undertaken the following year. It is produced in accordance with the Accounts and Audit (Wales) Regulations 2014 which require the Council at least annually, to review the effectiveness of its governance framework, including the system of internal control. The AGS for 2019-20 was considered by the Audit Committee on 14 July 2020 and will be approved by Council on 8 October 2020.

1.2.6.1 Business Risk Management

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

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

The Corporate Risk Register identifies the risks (threats) to achievement of the Council's Well-being Objectives. This is a live document which was last formally reviewed by the Audit Committee on 14 July 2020.

1.2.7 Transformation Programme

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

1.2.8 Strategic Partnerships

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

1.3 PERFORMANCE 2019-20

1.3.1 Improvement Review

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

Estyn undertook an inspection of the Council during December 2019. Inspection Report.

During February 2020, the Council participated in a Corporate Peer Review with the Local Government Association, the first in Wales. Feedback Report

1.3.2 Revenue Outturn 2019-20

The County Council Budget Outturn Monitoring Report 2019-20 was reported to Cabinet on 6 July 2020. The revenue outturn financial position confirmed the Council's net expenditure for 2019-20 at £221.2m, an underspend of £0.273m. An additional £1.533m Council Tax income was collected over that anticipated when the original 2019-20 budget was approved. The additional income is due to higher than expected collection rates included in the Council Tax base, the removal of discounts, income relating to earlier years and hereditament growth. This has provided the opportunity to appropriate £1.806m to a new Covid-19 reserve earmarked to fund the expected ongoing financial pressure of the Covid-19 pandemic in the current and future years.

A contingency of £1.0m was included in the 2019-20 revenue budget and was unused during the year. This assisted in achieving the £0.273m underspend outturn position. A contingency of £1.25m has been included in the 2020-21 revenue budget.

The Authority implemented flat-lined (cash) revenue budgets for Social Services and Individual School Budgets (ISB) from April 2019 and has implemented flat-lined (cash) revenue budgets for all services from April 2020, with services being invited to bid for inflationary pressures and growth.

	Original 2019-20 £m	**Period 5 Rolling Budget 2019-20 £m**	**Period 5 Projected Outturn 2019-20 £m**	**Actual Outturn 2019-20 £m**
Gross Expenditure	347.6	358.4	356.0	358.9
Income	(132.2)	(139.5)	(135.4)	(145.1)
Contribution to / (from) Reserves	6.1	2.6	2.6	7.4
Net Expenditure	**221.5**	**221.5**	**223.2**	**221.2**
Second Home/ Long Term Empty Property Contribution to Reserves	0	0	0	2.2
Surplus Contribution to Covid-19 Reserve	0	0	0	1.8
Total Net Expenditure	**221.5**	**221.5**	**223.2**	**225.2**

During 2019-20, each of the service revenue budgets was given a RAG rating in terms of their year-end outturn position:

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

The table below shows the actual outturn position compared to the Period 5 rolling budget and the Period 5 projected outturn at a Directorate level.

Revenue Account	2018-19	2019-20			
	Actual Outturn	P5 Rolling Budget	P5 Projected Outturn	Actual Outurn	Variance Actual to P5 Rolling Budget
	£000	£000	£'000	£000	£'000
Education Services	89,179	88,637	89,707	89,722	1,085
Social Care - Children's Services	13,308	13,362	13,662	13,584	222
Social Care - Adult Services	51,697	51,554	51,770	53,989	2,435
General Fund Housing	1,037	1,133	1,148	861	(272)
Council Housing	-	-	-	-	-
Highways & Transportation Services	8,316	7,947	7,968	7,895	(52)
Culture & Related Services	6,193	5,770	5,977	5,823	53
Planning Services	1,918	1,683	1,677	1,668	(15)
Environmental Services	13,025	13,969	14,123	13,603	(366)
Central, Corporate & Democratic Services	5,605	7,557	7,620	8,836	1,279
Council Tax Reduction Scheme	8,528	9,500	9,420	9,120	(380)
Court Services	334	334	334	317	(17)
Contingency	-	1,000	1,000	-	(1,000)
Second Home Council Tax (Community)	-	-		-	-
Long Term Empty Properties*		95	95	134	39
Affordable Housing Scheme*	930	1,052	1,052	1,015	(37)
Contributions to Community*	930	1,052	1,052	1,016	(36)
Net Cost of Services	**201,000**	**204,645**	**206,605**	**207,583**	**2,938**
Levies	7,332	7,556	7,536	7,536	(20)
Net Investment Income / Capital Financing Costs	9,609	11,464	11,464	10,045	(1,419)
Total	**217,941**	**223,665**	**225,605**	**225,164**	**1,499**
Financed By:					
Revenue Support Grant and Special Grant	(121,740)	(121,872)	(121,872)	(121,872)	-
NNDR	(40,034)	(40,576)	(40,576)	(40,576)	-
Council Tax	(54,307)	(59,018)	(59,018)	(60,551)	(1,533)
Second Homes Premium Council Tax*	(1,860)	(2,199)	(2,199)	(2,165)	34
	(217,941)	**(223,665)**	**(223,665)**	**(225,164)**	**(1,499)**

* Second Homes Council Tax and Long Term Empty Properties Premium 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 2019-20 as reported to Cabinet on 6 July 2020.

1.3.3 Cost Reductions/Efficiencies 2019-20

The cost reduction/efficiency target of £15.7m (£13.8m + £1.9m slippage from 2018-19) was partially achieved, however £5.250m cost reductions/efficiencies will need to be carried forward to 2020-21.

The table below shows the agreed cost reductions/efficiencies at a Directorate level along with details of achievement and the slippage at the end of 2019-20.

Directorate Cost Reduction/Efficiency:	2019-20 Planned	2019-20 Achieved	Slipped to 2020-21
	£000's	£000's	£000's
Education Services	(4,591)	(4,295)	(296)
Social Care - Children	(837)	(107)	(729)
Social Care - Adults	(5,618)	(2,372)	(3,246)
Housing General Fund	(66)	(50)	(16)
Highways & Transportation Services	(636)	(573)	(100)
Culture & Related Services*	(392)	(223)	(153)
Planning & Development Services	(360)	(176)	(184)
Environmental Services*	(499)	(356)	0
Other Central, Corporate & Democratic Services	(399)	(405)	(25)
Central & Support Holding Accounts	(1,002)	(738)	(234)
Other Holding Accounts	(1,284)	(979)	(267)
Total Cost Reductions/Efficiencies 2019-20	**(15,684)**	**(10,274)**	**(5,250)**

The £5.250m cost reductions/efficiencies not achieved in 2019-20 will be rolled forward to 2020-21 with the exception of £0.159m relating to Tourism and Public Protection which have been identified as non-achievable*.

There has been considerable movement in the projected achievement of cost reductions/efficiencies throughout 2019-20. At the end of Period 5, it was projected that 80.6% would be achieved and during the 2020-21 budget setting process, it was projected that 83.4% would be achieved. It is therefore disappointing that only 65.5% has been achieved (84.5% excluding Social Care) but this shows the significant challenge being faced by services.

1.3.4 Housing Revenue Account (HRA)

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

- The Council has 5,640 dwellings and 1,075 shops and garages at 31 March 2020.
- The average weekly net rent for 2019-20 was £81.92.
- Income including rent and charges for services totalled £25.094m.
- Revenue expenditure included £13.687m on repairs and maintenance, £0.534m on Rent, Rates, Taxes and the provision for bad and doubtful debts, £4.878m on Capital financing adjustments and £5.995m appropriation to reserves for Capital improvements.
- Rent arrears for current tenants at the end of 2019-20 was £1.125m, an increase of £0.367m on the 2018-19 year end position. The rent arrears as a percentage of total rent due had increased by 1.44% on the 2018-19 year end position.

1.3.5 Capital Expenditure 2019-20

The Council's key aim is to deliver an affordable and sustainable capital programme which underpins the Council's Well Being objectives. Capital expenditure for 2019-20 was £41.339m against a projected outturn of £60.738m and was financed from a number of sources, as shown in the table below.

Each element of the capital programme, at both a Directorate and individual project level, has been given a RAG rating based on the detailed criteria shown in the County Council Budget Outturn Monitoring Report 2019-20 as reported to Cabinet on 6 July 2020.

Capital Outturn	2019-20		
	Projected Out-turn	Actual Expenditure	Actual to Projected Outturn
	£000	£000	%
Expenditure			
Education	3,094	2,326	75%
Social Care	913	113	12%
Highways & Transportation	9,533	7,593	80%
Housing – General Fund	2,326	2,238	96%
Culture & Related Services	1,089	1,024	94%
Planning & Development	6,474	3,868	60%
Environmental	6,936	4,817	69%
Corporate	9,195	2,652	29%
Housing - H.R.A.	10,065	9,527	95%
21st Century:			
Band A	6,818	4,028	59%
Band B	4,295	3,153	73%
Total Expenditure	**60,738**	**41,339**	**68%**
Financing			
Borrowing	17,354	10,255	
Capital Grants & Contributions	26,772	20,067	
Capital Receipts & Capital Fund	9,865	6,837	
Earmarked Reserves	6,747	4,180	
Total Financing	**60,738**	**41,339**	

The original capital investment programme for 2020-21 and indicative programme for 2021-22 to 2023-24 was approved by Council on 27 February 2020. All capital projects will be reviewed to assess their current costs and progress as well as ascertaining the impact of Covid-19. The approved programme will be amended to reflect the following changes:

- Where projects in 2019-20 have not been completed by 31 March 2020, the resource may be rolled over to 2020-21;
- The approval and amendment of capital grant assumptions made during the budget cycle;
- The re-phasing and re-profiling of expenditure on certain projects;
- The deletion of projects no longer required; and
- The inclusion of new capital projects that have been approved through the Capital Bid process.

1.3.6 Treasury Management

The Council's Treasury Management Strategy and Investment Strategy for 2019-20 were 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 2019-20, there was full compliance and all RAG ratings were Green, with 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 2020.

- External borrowing increased from £204.8m to £212.8m
- Average investment portfolio was £61m with Investment Income of £0.54m
- The total amount of investments held at the 31 March 2020 was £41.62m.

	Projected Balance 31/03/2019 £m	Actual 31/03/2019 £m
Capital Financing Requirement		
General Fund	173.7	166.6
HRA	71.7	70.9
Total Capital Financing Requirement	**245.4**	**237.5**
External Debt		
Gross Borrowing	223.2	212.8
Other Long Term Liabilities	6.3	6.3
Total Gross External Debt	**229.5**	**219.1**

1.3.7 Revenue Collections

1.3.7.1 Council Tax

Cash collected to 31 March 2020 was £68.70m against a collectable debit of £70.35m. This represents an in year collection rate of 97.65%, which was lower than the 2018-19 collection rate of 97.97%. Following Council Tax increases of 12.5% and 9.92%, this is still a good collection rate and it is hoped that it will continue to be amongst the best in Wales.

1.3.7.2 2nd Homes Premium and Long Term Empty Property Premium

2019-20 was the third year of the 2nd Homes Council Tax Premium. £2.03m cash was collected compared to £1.86m for 2018-19.

2019-20 was the first year of the Long Term Empty Homes Premium. £133,975 cash was collected.

1.3.7.3 Business Rates

Cash collected to 31 March 2020 was £54.16m against a collectable debit of £54.95m. This represents an in year collection rate of 98.58% which was higher than the 2018-19 collection rate of 97.72%

Tables detailing all revenue collections are held within the County Council Budget Outturn Monitoring Report 2019-20.

1.4 FINANCIAL POSITION 2019-20

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

2018-19		2019-20	
Net Assets	**Reserves**	**Net Assets**	**Reserves**
Long Term Assets **£736m**	Usable Earmarked Reserves and Capital Receipts **£55m**	Long Term Assets **£721m**	Usable Earmarked Reserves and Capital Receipts **£56m**
Current Assets less Current Liabilities **£37m**	Usable General balance **£8m**	Current Assets less Current Liabilities **£37m**	Usable General balance **£8m**
Long Term Liabilities **(£390m)**	Unusable Reserves **£320m**	Long Term Liabilities **(£464m)**	Unusable Reserves **£230m**
TOTAL NET ASSETS £383m	**TOTAL RESERVES £383m**	**TOTAL NET ASSETS £294m**	**TOTAL RESERVES £294m**

1.4.1 Property Plant and Equipment and other Non-Current Assets

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

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

- As part of the Council's rolling programme, revaluations of schools, youth clubs and community learning centres took place.
- Capital receipts from the disposal of property assets was £1.8m in respect of non-council housing and £1.9m in respect of Council House Sales.

1.4.2 Long Term Liabilities – Pension Liability

The Council is a member of the Dyfed Pension Fund, with details of Pension Costs shown in Note 10.5.

- The cost to the Council during the year for pension liabilities was £15m.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £251m at 31 March 2020, based on the latest actuarial assumptions. This has increased by £73m from 2018-19.
- The fund is revalued every three years, with the fund's assets at 31 March 2019 reflected in the 2019-20 accounts.

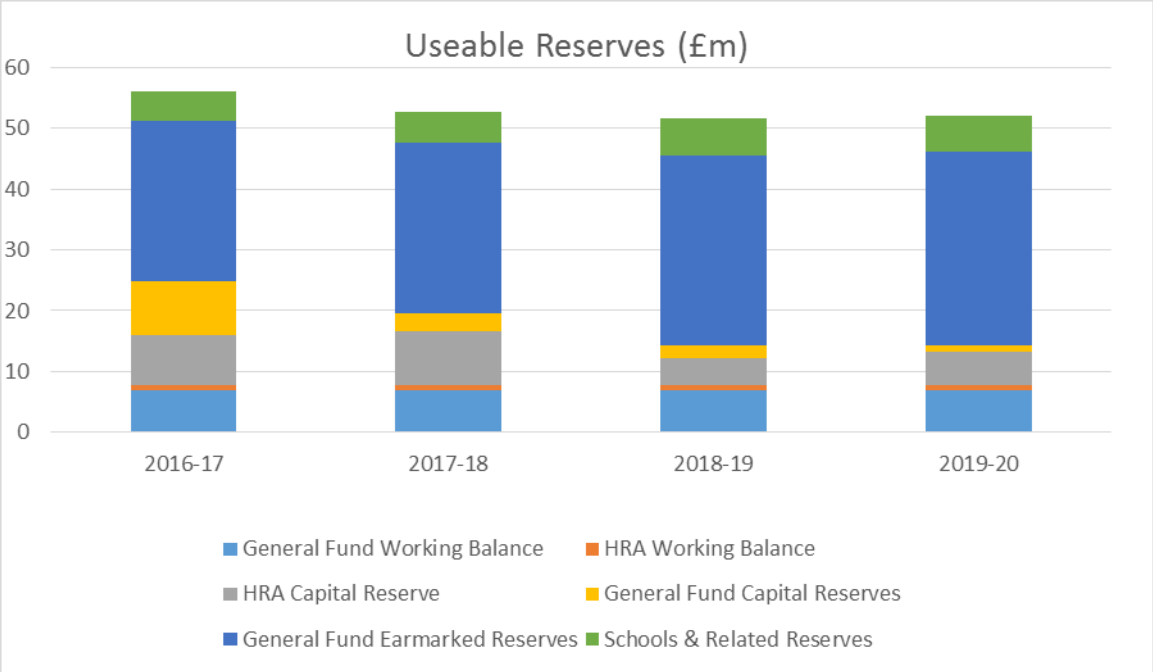
The Teacher's pension scheme is administered by the Department for Education in England and Wales. This is an unfunded scheme, meaning that there are no investment assets accumulated to meet pension costs before they arise, and therefore no fund assets or liabilities appearing in the Council's Balance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

1.4.3 Reserves

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

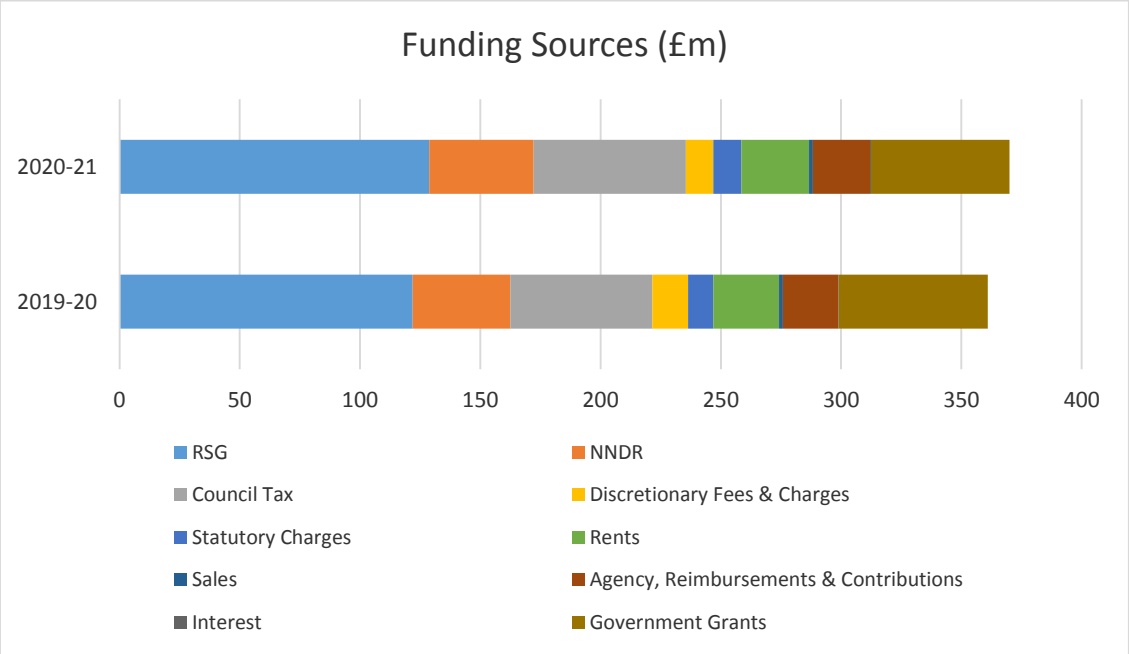
Unusable reserves are maintained to comply with relevant accounting requirements and cannot be used for specific purposes.

Useable reserves are detailed in Note 11.2; whilst unusable reserves are shown in note 12.13. The table below shows the movement in useable reserve balances from 2016-17 to 2019-20.



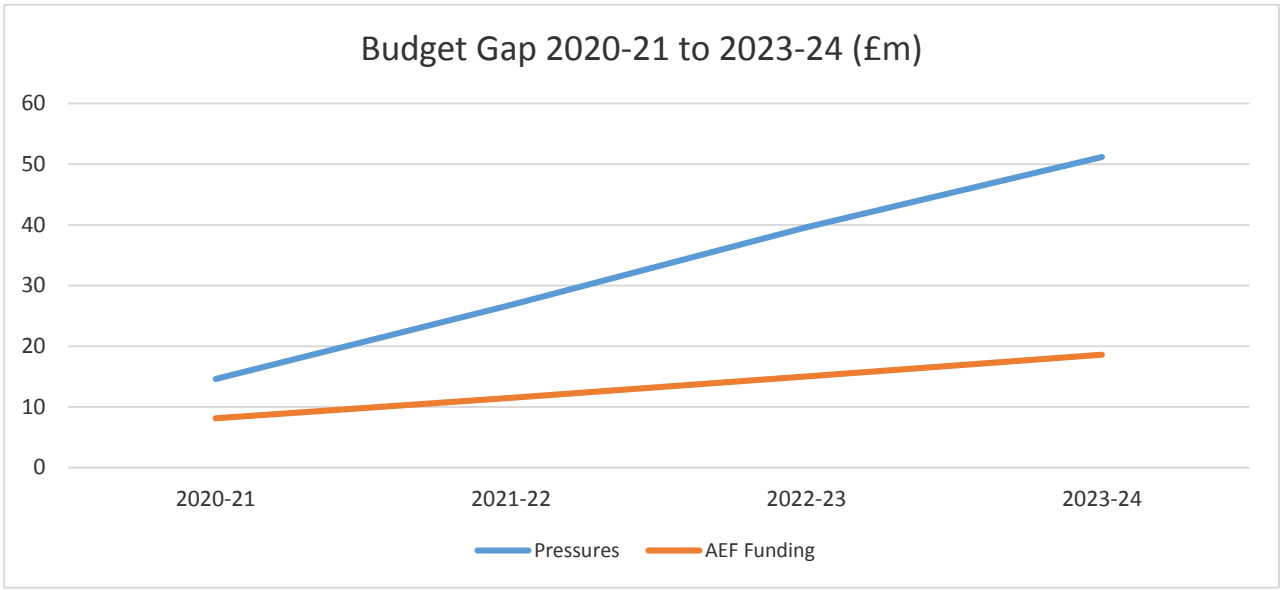
1.5 FINANCIAL OUTLOOK

The Council receives its funding from two main sources – Aggregate External Finance (AEF) and Council Tax. The AEF, comprising of Revenue Support Grant (RSG) and redistributed National Non-Domestic rates is awarded by Welsh government. Other sources of funding include specific Government and European grants and income from fees and charges. The table below shows the budgeted funding for 2020-21 verses what was received during 2019-20.



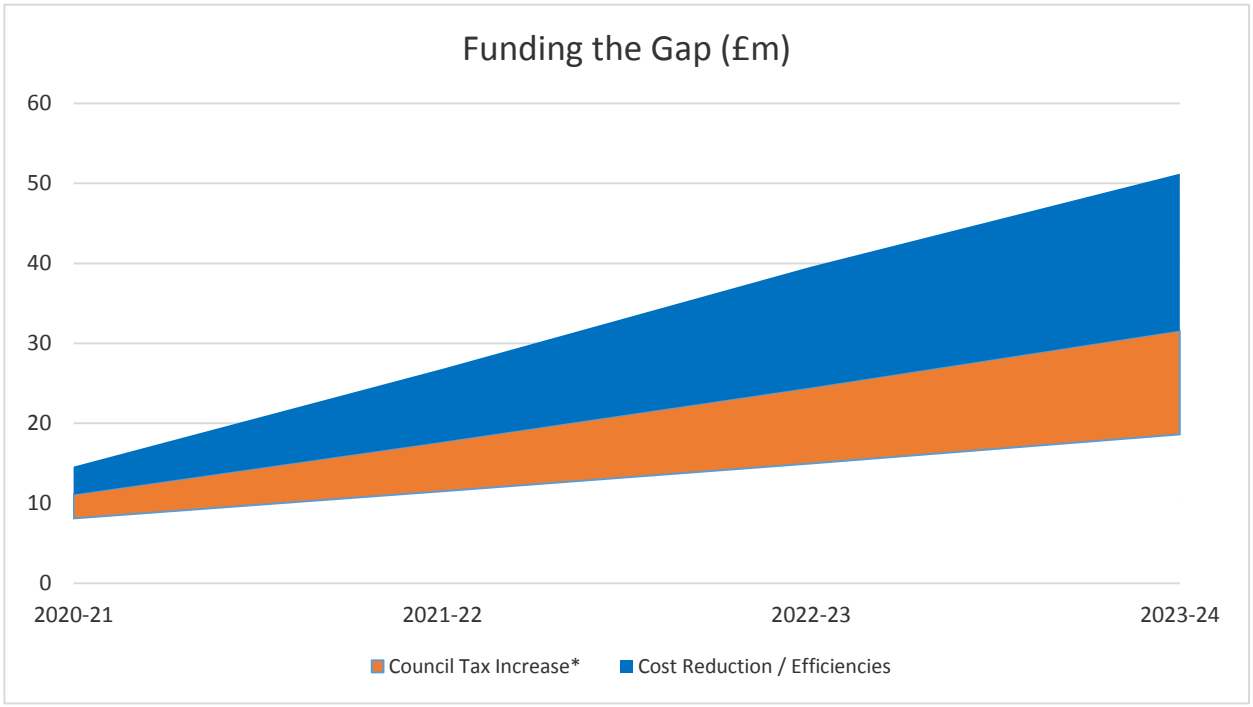
The 2020-21 budget approved by Council on 27 February 2020 identified a funding gap for 2020-21 of £6.5m and the projected funding gap for the MTFP 2020-21 to 2023-24 of £32.6m assuming an increase in AEF of 4.9% in 2020-21 and 2% for 2021-22 to 2023-24. The funding gap for 2020-21 was to be bridged by £3.0m of additional Council Tax income and £5.1m of Cost Reductions/Efficiencies enabling £1.6m of additional growth above identified pressures.

The table below shows the projected funding gap over the life of the MTFP 2020-21 to 2023-24.



The Council continued to have the lowest Council Tax (Band D) in Wales for 2019-20, despite the largest Council Tax increase of 9.92%. The Council Tax increase of 5.0% for 2020-21 will generate an additional £3.0m. The MTFP 2020-21 to 2023-24 assumes a Council Tax increase of 5% per annum, the remaining funding gap being met by Cost Reductions / Efficiencies.

The table below shows how the projected funding gap will be met during the life of the MTFP 2020-21 to 2023-24.



*Council Tax increase assumes no change in Council Tax Base 2021-22 to 2023-24

The use of earmarked reserves is governed by the Strategy for Holding and Utilising Reserves, approved by Council on 10 March 2016. At the time of setting the budget for 2020-21 it was not anticipated that any earmarked reserves would be used to bridge the projected funding gap over the MTFP.

1.5.1 Key Financial Risks identified in the County Council Budget 2020-21 report

- Well-being Objectives may not be appropriately funded during 2020-21 due to approval of the Corporate Plan and Budget not being aligned.
- National Pay Awards and Employers Pension Contributions may be above that budgeted.
- Additional in year pressures due to Brexit.
- The £1.249m contingency will not be sufficient to deal with unplanned budget pressures materialising in year.
- Council Tax Collection rate may be lower than budgeted.
- Council Tax Reduction Scheme costs may increase.
- Grant Funding may not materialise.
- Reducing Workforce will have a direct impact on service provision.
- Capital Financing Costs become unaffordable – this has been mitigated by introduction of a cap of £14m per annum.
- The basis of the Medium Term Financial Plan is revised.

- Welsh Government Grant in respect of removing the tolls from the Cleddau Bridge does not materialise. (The first two instalments of the grant have now been received).

1.6 POST BALANCE SHEET EVENTS - COVID-19 IMPLICATIONS

The coronavirus pandemic (Covid-19) has required an unprecedented response from Pembrokeshire County Council resulting in some services being shut down while others have been increased or created to support the crisis. The impact of Covid-19 on the 2019-20 position is limited due to lockdown measures only being put in place during the last few days of the financial year, however its impact will be significant both financially and in the way we deliver our services for years to come. These accounts have been prepared with this impact in mind particularly in section 6.0 Critical Judgements in Applying Accounting Policies and Estimation Risk; section 12.1 Fixed Assets and section 12.13.4.1 Nature and Extent of Risks Arising from Financial Instruments.

The Covid-19 Response Arrangements were outlined in a report to Cabinet on 18 May 2020, with the Strategic Recovery Planning for Pembrokeshire outlined in a report to Council on 16 July 2020.

1.6.1 Risks to Pembrokeshire County Council Budget

A number of risks arising from the Covid-19 pandemic which may impact the Pembrokeshire County Council budget have been identified, these include the risk that:

- Additional revenue expenditure will not be fully funded
- Loss of Income will not be fully funded
- Additional capital costs will not be funded
- Budget savings (Cost Reductions/Efficiencies) will not be achieved creating further budget pressures
- Increased bad debt in relation to Council Tax and fees & charges income, particularly Property Rentals
- Increase in Council Tax Reduction Scheme costs will not be funded
- Grant income budgeted will not be received
- Impact in the medium term on 2021-22 budgets and beyond – likely reduction in WG funding; Council Tax increases could be reduced depending on political appetite as we move towards local government elections in 2022.

1.6.2 Potential Use of Reserves

The Council Fund (£7m) and HRA (£0.7m) working balances are non-earmarked reserves, maintained to cushion the impact of emergencies, to offset the impact of uneven cashflow, and as a general contingency. In these exceptional circumstances use of these reserves would be considered justified, but they would have to be replenished in future years.

Within other earmarked reserves there are potentially £10.0m of balances which are identified for general and not specific purposes (including the new Covid-19 reserve) which could be repurposed. These balances could also be released if required to offset any shortfall in funding.

Ring-fenced reserves cannot be used for any other purpose than for which they are held.

1.6.3 Borrowing and Cashflow

Covid-19 has impacted on the volatility of the Council's cashflow. Assumptions around cashflows are prudent and are updated on a daily basis. Any Treasury decisions are made to ensure the Council complies with their investment priorities of:

- Security of Capital
- Liquidity of Investment

- Yield

Money markets are being utilised unless there is certainty that cash can be invested for a certain time period and with a greater yield.

The Council can borrow up to its Capital Financing Requirement (CFR). For the original budget for 2020-21 this was £259.7m. Borrowing was assumed to take place mid-year at £25m, leaving headroom of £20m. Slippage in the capital programme for 2019-20 needs to be fed in to ascertain the new figure for 2020-21.

1.6.4 Plans for Recovery

The Covid-19 recovery phase is currently underway This phase involves implementing the Strategic Recovery Planning for Pembrokeshire, which includes review of current and future service provision and the revision of the Medium Term Financial Plan to ensure financial resilience.

1.7 CONCLUSION

Despite in year pressures, the outturn position achieved by the Council was an underspend of £0.273m. This coupled with surplus Council Tax income has enabled the creation of a new Covid-19 reserve which will assist in mitigating the challenges arising from Covid-19. Whilst disappointing that only 65.5% of the planned cost reductions/efficiencies were achieved (84.5% excluding Social Care), this shows the significant challenge being faced by services.

Covid-19 will have an adverse effect on Council finances in both the current year and the future. This will inevitably involve difficult decisions at both an officer and Member level to meet the financial challenges ahead.

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

Jonathan Haswell FCCA
Director of Resources

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 2020 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 2019-20 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 2020 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 2019-20.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
- 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 20 to 21, 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
2020

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 2020 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 2020 and its income and expenditure for the year ended 31 March 2020 and append my signature to the Statement in accordance with Regulation 10(1).



J HASWELL FCCA
Director of Resources

Date: 24 July 2020

REPORTING AND APPROVAL

These accounts, initially published on 24 July 2020, were reported to Full Council for approval following the conclusion of the Annual Audit on 8 October 2020. The audit certificate is shown in section 2.0.

Chairman of Council

Date: 8 October 2020

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 2019-20, and the Statement of Accounts as set out within Sections 4-15, have been prepared in compliance with the Code.

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

Accounting Standards Issued but not yet adopted

- The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is now 1 April 2021. This standard replaces the current guidance in IAS 17 on leases. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals.
- This is a significant change in lessee accounting. A project group has been set up to implement this change and to ascertain the impact.
- Amendments to IAS 19 Employee Benefits: plan amendment, curtailment of settlement have been adopted in the 2020-21 Code and will be applicable for the 2020-21 financial year.
- The Accounts and Audit (Wales) Regulations 2014 amended by SI 2018 No 91 requires Welsh Local Authorities to bring forward the accounts closure and publication timetable. The regulations require signing, approval and publication to take place by 31 July from 2021. Although the Authority has been producing it's Statement of Accounts earlier than current regulations require for several years, the Covid-19 pandemic has resulted in the delay in publication of the 2019-20 Statement of Accounts to 8 October 2020.

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.
- Due to the Covid-19 outbreak asset valuations as at 31 March 2020 have been reported subject to a 'Material Uncertainty Clause' on the basis of RICS guidance. This is true for all classes subject to valuations. The valuations contain the following clause:

  'The outbreak of the Novel Coronavirus (Covid-19) declared by the World Health Organisation as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of "material valuation uncertainty" a per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend to keep the valuation of assets under frequent review'.
- In certain instances it has been necessary to estimate the charges made in the accounts using historical experience, current trends etc. Actual results may be different from the assumptions made and consequently may affect the charges made in future years' accounts.'
- A planned investment of £106.4m for the 21st Century Schools Band B Programme has been agreed in principle by Welsh Government, for the period 2019-20 to 2024-25. The programme is across three key projects and based on 65% grant funding (75% for Special Schools) from Welsh Government. The requirement to find £35.75m (Full Council 27 February 2020) match funding remains a key issue. The Council will need to confirm the affordability of each project before commencement.
- The Swansea Bay City Region Deal involving Pembrokeshire County Council, Carmarthenshire County Council, Neath Port Talbot County Council and Swansea City Council was signed by the UK Prime Minister on 20 March 2017. It involves £1.3bn of private and public investment to be spent over 15 years. In June 2020 the Pembroke Dock Marine business case received approval to be part of the overall Swansea Bay City Deal programme. Due to timing of the £28.0m grant this project will require the Council to borrow £15.2m. The Council have agreed a funding contribution of £1.0m to support the borrowing costs for the project.
- 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 issued a Programme for Administration which has influenced the MTFP and budget setting strategies for the Council. The Council implemented flat-lined (cash) revenue budgets for Social Services and Individual School Budgets (ISB) from April 2019 and has implemented flat-lined (cash) revenue budgets for all

services from April 2020, with services being invited to bid for inflationary pressures and growth.

- £532k of joint venture receipts held by Pembrokeshire County Council, previously earmarked for the development of South Quay, is the subject of ongoing discussions with Welsh Government regarding future development of the site and may need to be repaid.
- 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. The Council accepted the Grant Offer on 13 March 2020, with the 2019-20 instalment of £3m being received on 7 April 2020.
- During the year the Authority's HRA purchased £350k of property from its General Fund for the purposes of building new Council housing. The transactions were recorded through the approved HRA Capital Programme, funded from the HRA Capital reserve.
- Council Tax Reduction Scheme (CTRS) has been shown gross in the Cost of Services segment of the Comprehensive Income and Expenditure Statement rather than netting it off Council Tax Income in the Taxation and Non-Specific Grant Income segment. As there is no specific reference to the proper accounting treatment of CTRS in the CIPFA Accounting Code of Practice or Guidance notes, reliance has been placed on IPSAS 23 – Revenue from Non-Exchange Transactions (taxes and transfers). This standard is relevant to public secor bodies and states that taxation revenue shall be determined at a gross amount; it shall not be reduced for expenses paid through the tax system.
- Education through Regional Working (ERW) was an alliance of six local authorities for 2019-20, but reduced to an alliance of five local authorities for 2020-21, with three of the remaining local authorities giving notice to leave ERW at the end of 2020-21. Discussions are ongoing between the six local authorities and Welsh Government in terms of the future footprint for education through regional working. Pembrokeshire County Council is the employing body for the ERW staff and maintains the ERW finances/accounts (circa. £65m per annum), providing financial services, internal audit, ICT, HR and procurement support to ERW via service level agreements.

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

21st Century Schools (Band A & Band B)	Incorrect cost assumptions Interest rate increases above LGBI rates (Band A)	Increased contractual costs Increased debt charge resulting in additional charge to taxpayer
Non-Current Assets	Useful Life Valuation Material Uncertainty	Incorrect depreciation charge Incorrect asset valuation
Pension Liability	Actuarial assumptions incorrect	Increased Employer contributions at future date / additional charge to taxpayer at future date
Welfare Reform Act	Assumptions incorrect	Increased service costs including bad debts
Demographic changes	Assumptions incorrect	Increased service & contractual costs
Grant Funding	Loss of grant from Welsh Government & Europe	Reduction in service provision
Governance	Decisions not made or not made in timely manner	Budget over / under spends & loss of grant funding
Contractual Arrangements	Large private sector organisation going into Administration.	Delays to service provision and increased cost.
Transformation / Alternative Service Delivery	Changed ways of working do not deliver assumed financial savings	Budget over / under spend Separate accounting arrangements
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 / 21st Century Schools (Band B)	Unable to provide service within existing budgets Incorrect cost assumptions	Budget overspend Increased contractual costs

Issues potentially impacting the accounts in the future:		
Item	**Risk**	**Potential Affect**
Housing Rent Policy Changes	Incorrect Business plan assumptions. Breaching HRA income limits.	Additional charge to tenants at future date. Welsh Government Intervention
Brexit	Exchange rate risk. Risk of trade tariffs.	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. Increased costs to service
Covid-19 Fallout from Covid-19	Economic instability and uncertainty. Welsh Government Covid-19 funding inadequate. Reduced Welsh Government funding (AEF) and Council Tax increases.	Increased costs of service provision and loss of income generation Increased bad debt relating to services and Council Tax collection Increased cost reductions/efficiencies across Council services, and service prioritisation in order to ensure a balanced budget.
ERW	Regional service does not continue	Insufficient support provided to schools to implement new curriculum and action the Estyn recommendations Cashflow - Pembrokeshire to finance any cessation of ERW prior to being reimbursed by other local authorities.
Cleddau Bridge	£3m annual instalments delayed or grant clawback from Welsh Government.	Reduced cashflow and budget gap.

7.0 CORE FINANCIAL STATEMENTS – COMPONENTS AND DETAIL

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

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

Supporting Notes and Supplementary Financial Statements

These comprise of:

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

Group Accounts

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

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

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

7.1 EXPENDITURE AND FUNDING ANALYSIS

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

2018-19				2019-20		
Net Expenditure in Revenue Outturn	Adjustment between the Funding and Accounting Basis (Note 9.1)	Net Expenditure in the CIES		Net Expenditure in Revenue Outturn	Adjustments between the Funding and Accounting Basis (Note 9.1)	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
89,179	5,384	94,563	Education Services	89,722	29,562	119,284
13,308	899	14,207	Childrens Services	13,584	1,269	14,853
51,697	2,098	53,795	Adult Services	53,989	1,880	55,869
1,037	337	1,374	Housing Services	861	446	1,307
-	1,212	1,212	Council Housing	-	922	922
8,316	6,158	14,474	Highways & Transport Services	7,895	5,696	13,591
6,193	2,787	8,980	Culture & Related Services	5,823	3,585	9,408
1,918	626	2,544	Planning Services	1,668	1,795	3,463
13,025	1,573	14,598	Environmental Services	13,603	1,802	15,405
5,605	12,673	18,278	Other Central, Corporate & Democratic Services	8,836	5,594	14,430
8,528	-	8,528	Council Tax Reduction Scheme	9,120	-	9,120
334	8	342	Court Services	317	9	326
-	-	-	Long Term Empty Properties*	134	(134)	-
930	(908)	22	Affordable Housing Scheme*	1,015	(991)	24
930	(781)	149	Contributions to Community*	1,016	(710)	306
201,000	**32,066**	**233,066**	**Net Cost of Services (inc HRA) / Deficit on Continuing Operations**	**207,583**	**50,725**	**258,308**
7,332	14,468	21,800	Other Operating Expenditure	7,536	15,896	23,432
9,609	4,356	13,965	Financing & Investment Income & expenditure	10,045	4,558	14,603
(217,941)	(40,544)	(258,485)	Taxation and non-specific grant income	(225,164)	(32,866)	(258,030)
-	**10,346**	**10,346**	**Surplus or Deficit**	**-**	**38,313**	**38,313**

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

	2018-19	2019-20
	Fund Balance	Fund Balance
	£'000	£'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 £19k 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 £74k 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	2018-19			2019-20		
		Gross Total Cost £000	Income £000	Net Total Cost/ Expend £000	Gross Total Cost £000	Income £000	Net Total Cost/ Expend £000
Education Services		119,164	(24,601)	94,563	145,465	(26,181)	119,284
Social Care - Childrens Services		18,690	(4,483)	14,207	20,124	(5,271)	14,853
Social Care - Adult Services		77,053	(23,258)	53,795	83,271	(27,402)	55,869
Housing Services		38,456	(37,082)	1,374	34,397	(33,090)	1,307
Council Housing		25,538	(24,326)	1,212	26,048	(25,126)	922
Highways & Transport Services		26,179	(11,705)	14,474	26,187	(12,596)	13,591
Cultural & Related Services		14,338	(5,358)	8,980	14,962	(5,554)	9,408
Planning Services		7,989	(5,445)	2,544	8,249	(4,786)	3,463
Environmental Services		20,622	(6,024)	14,598	22,234	(6,829)	15,405
Other Central, Corporate & Democratic Services		21,170	(2,892)	18,278	18,769	(4,339)	14,430
Council Tax Reduction Scheme		8,528	-	8,528	9,120		9,120
Court Services		376	(34)	342	400	(74)	326
Second Home Council Tax		171		171	330		330
(Surplus)/Deficit on Continuing Operations		**378,274**	**(145,208)**	**233,066**	**409,556**	**(151,248)**	**258,308**
Other Operating Expenditure							
Precepts & Levies	10.2			21,856			23,521
Gains & Losses on Disposal of Non-Current Assets				(56)			(89)
Financing & Investment Income and Expenditure							
Interest Payable				10,936			10,984
Interest & Investment Income				(325)			(554)
Net Pensions Interest	10.5.1			3,354			4,173
Taxation & Non-Specific Grant Income							
Revenue Support Grant (inc Special Grant)	10.1.1			(121,740)			(121,872)
NNDR Pool Share				(40,034)			(40,576)
Local Taxpayers	10.1.3			(68,328)			(75,952)
Second Home Premium	10.1.3			(2,363)			(2,580)
Long Term Empty Properties							(170)
General Capital Grants & Contributions	10.1.5			(26,020)			(16,880)
(Surplus) or Deficit on Provision of Services				**10,346**			**38,313**
Other Comprehensive Income & Expenditure							
(Surplus)/Deficit on revaluation of non-current assets	12.13.3			(2,865)			(912)
Remeasurements of Pensions Liabilities & Assets	12.13.7			17,459			51,571
Total Other Comprehensive Income & Expenditure				**14,594**			**50,659**
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				**24,940**			**88,972**

7.2.5 Exceptional Items

There were no exceptional items of income or expenditure in 2019-20.

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 2019-20	**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 2019	**(7,000)**	**(39,435)**	**(752)**	**(4,460)**	**(10,896)**	**(62,543)**	**(320,450)**	**(382,993)**
In Year Opening Balance Adjustments*						**-**	(107)	**(107)**
Restated Balance	**(7,000)**	**(39,435)**	**(752)**	**(4,460)**	**(10,896)**	**(62,543)**	**(320,557)**	**(383,100)**
(Surplus) / Deficit On Provision of Services	38,520	**-**	(207)	**-**	**-**	38,313	-	**38,313**
Other Comprehensive Income & Expenditure	**-**	**-**	**-**	**-**	**-**	-	50,659	**50,659**
Total Comprehensive Income & Expenditure (see 7.2.4)	**38,520**	**-**	**(207)**	**-**	**-**	**38,313**	**50,659**	**88,972**
Adjustments Between Accounting Basis and Funding Basis Under Regulation (see 11.1)	(37,630)	**-**	(1,265)	**-**	(1,088)	(39,983)	39,983	**-**
Net (Increase) & Decrease Before Transfers (To) / From Reserves	**890**	**-**	**(1,472)**	**-**	**(1,088)**	**(1,670)**	**90,642**	**88,972**
Transfers (To)/ From Reserves	(890)	689	1,472	(1,137)	**-**	134	(134)	**-**
(Increase) / Decrease In Year	-	689	-	(1,137)	(1,088)	(1,536)	90,508	**88,972**
Balance 31 March 2020 (see 11.2.1 & 11.2.2)	**(7,000)**	**(38,746)**	**(752)**	**(5,597)**	**(11,984)**	**(64,079)**	**(230,049)**	**(294,128)**

* restated FIAA opening balance adjustment re SALIX

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)**

* Restated see table 12.13.2 CAA for Prior Years 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	2018-19		2019-20	
		£000	£000	£000	£000
NON-CURRENT ASSETS:					
Property, Plant & Equipment	12				
Council Housing Property	12.1.1.3	200,739		198,109	
Other Land & Buildings	12.1.1.3	397,048		371,444	
Infrastructure	12.1.1.3	119,707		121,500	
Vehicles/Plant/Equipment	12.1.1.3	10,621		14,929	
Heritage Assets	12.1.1.6	531		528	
Community Assets	12.1.1.3	579		578	
Assets Under Construction	12.1.1.3	269		5,713	
Surplus Assets		2,259		2,750	
Fixed Assets			**731,753**		**715,551**
Intangible Assets	12.1.3		320		214
Long Term Debtors	12.6.1		4,243		4,852
TOTAL LONG TERM ASSETS			**736,316**		**720,617**
CURRENT ASSETS:					
Short Term Investments*	12.5	43,647		39,238	
Inventories & Works in Progress	12.4	1,268		1,518	
Short-term Debtors and Prepayments	12.6.1	30,468		39,932	
Cash & Cash Equivalents*	12.7	6,735		457	
Assets Held For Sale	12.8	338		-	
Total Current Assets			**82,456**		**81,145**
TOTAL ASSETS			**818,772**		**801,762**
CURRENT LIABILITIES:					
Other Short-term Borrowing	12.6.2	(4,460)		(9,686)	
Short-term Creditors*	12.6.2	(28,986)		(23,325)	
Revenue Grants Receipts in Advance	12.6.2	(1,143)		(895)	
Capital Grants Receipts in Advance	12.6.2	(9,542)		(7,900)	
Provisions	12.9.1	(1,748)		(1,984)	
Total Current Liabilities			**(45,879)**		**(43,790)**
TOTAL ASSETS LESS CURRENT LIABILITIES			**772,893**		**757,972**
Long Term Borrowing	12.10.1	(203,545)		(205,012)	
Deferred Liabilities	12.11	(8,401)		(7,594)	
Net Pension Fund Liability	12.13.7	(177,954)		(251,238)	
TOTAL LONG TERM LIABILITIES			**(389,900)**		**(463,844)**
NET ASSETS			**382,993**		**294,128**
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		(54,791)		(56,327)
Unusable Reserves	12.13		(320,450)		(230,049)
TOTAL RESERVES			**(382,993)**		**(294,128)**

*Restated - Taken into account ERW Cash Balances at the end of 31 March 2019

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**
	2019 * £000	**2020 £000**	**£000**
Cash At Bank/(Overdrawn)	-	-	-
Cash Equivalent	7,447	2,420	(5,027)
Cash At Bank / In Hand	(712)	(1,963)	(1,251)
	6,735	**457**	**(6,278)**

*Restated - Taken into account ERW Cash Balances at the end of 31 March 2019

The cash flows for operating activities include the following items:	**2018-19 £000**	**2019-20 £000**
Interest Paid	10,922	12,135
Interest Received	(343)	(534)

CASH FLOW STATEMENT	2018-19		2019-20	
	£000	£000	£000	£000
Reconciliation of Comprehensive Income and Expenditure Statement to Net Revenue Cash Flow				
Net (Surplus)/Deficit on the provision of services		**10,346**		**38,313**
Adjustments to net surplus or deficit on the provision of services for non-cash movements				
Depreciation	(19,408)		(21,254)	
Impairment & downward valuations	(8,603)		(28,853)	
Pension fund adjustments	(23,698)		(21,713)	
Other non cash financial instrument adjustments	(31)		(13)	
Contributions to provisions	(308)		(236)	
Carrying amount of non-current assets sold	(7,200)		(3,519)	
Other non cash movement	-			
Movements in revenue debtors, creditors, stocks etc.*	(7,485)		13,589	
		(66,733)		**(61,999)**
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	7,331		3,684	
Capital Grants	26,020		16,880	
Premium paid on redemption of debt	-	**33,351**		**20,564**
Net Cash Flow from Operating Activities		**(23,036)**		**(3,122)**
INVESTING ACTIVITIES				
Purchase of property, plant & equipment, investment property & intangible assets	48,634		38,857	
Purchase of short term & long term investments	371,601		368,308	
Other payments for investing activities	-		-	
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	(7,331)		(3,684)	
Proceeds from short term & long term investments *	(360,720)		(372,725)	
Capital grants received	(27,805)		(13,706)	
Other capital cash receipts	-			
Net Cash Flow From Investing Activities		**24,379**		**17,050**
FINANCING ACTIVITES				
Cash receipts of short-term & long-term borrowing	(6,000)		(10,000)	
Other receipts from financing activities	-			
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	280		301	
Repayments of short-term & long-term borrowing	1,699		2,049	
Other payments for financing activities	-			
Net cash flow from financing activities		**(4,021)**		**(7,650)**
NET (INCREASE)/DECREASE IN CASH & CASH EQUIVALENTS		**(2,678)**		**6,278**
Cash & cash equivalents at the beginning of reporting period	4,057		6,735	
Cash & cash equivalents at the end of reporting period *	6,735		457	
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		**2,678**		**(6,278)**

*Restated - Taken into account ERW Cash Balances at the end of 31 March 2019

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 2019-20 Code of Practice on Local Authority Accounting.

8.1 GENERAL PRINCIPLES

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

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

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

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

8.2 INCOME AND EXPENDITURE ACCRUALS

8.2.1 Employee Costs

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

8.2.2 Supplies and Services Etc.

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

8.2.3 Support Services

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

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

8.2.4 Precepts and Levies

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

8.2.5 Income

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

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

8.2.6 Interest Payable

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

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

8.2.7 Interest Receivable

The following principles shall apply to interest receivable:

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

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

8.2.8 General Debtors

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

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

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

8.2.9 General Creditors

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

8.3 ACQUIRED & DISCONTINUED OPERATIONS

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

8.4 CASH & CASH EQUIVALENTS

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

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

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

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

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

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

8.6 EVENTS AFTER THE REPORTING PERIOD

Material events occurring after the end of the reporting period shall, if applicable at the Balance Sheet date, amend the Statement of Accounts. Other events will be disclosed with an estimate of the likely financial effect. If amended after being issued prior to the conclusion of audit the Responsible Financial Officer shall re-certify the revised Statement of Accounts as replacing that previously issued. Materiality shall be defined as the amount estimated by the 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.

The Cleddau Bridge internal loan of £1,666,525 was repaid in 2019-20. As a result an Additional Voluntary MRP contribution was made in 2019-20 of £1,633,195 to maintain the level of General Fund MRP.

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

8.10.5 Financial Loan Guarantee Contracts

8.10.5.1 Recognition

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

8.10.5.2 Measurement

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

8.11 DEFERRED LIABILITIES

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

8.12 FOREIGN CURRENCY TRANSLATION

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

8.13 GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

8.13.1 General

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

8.13.2 Revenue Grants and Contributions

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

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

8.13.3 Grants and Contributions for Capital Purposes

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

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

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

8.13.4 Repayment

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

8.14 NON-CURRENT ASSETS

8.14.1 Recognition

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

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

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

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

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

8.14.2 Classification

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

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

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

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

8.14.3 Initial Valuation

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

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

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

8.14.4 Subsequent Valuation

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

- Property shall be included in the Balance Sheet at current value defined as the lower of net realisable value in its existing use or, in the absence of an active market, because of the specialised nature of the asset, depreciated replacement cost.
- Plant and Equipment shall be carried at historic cost as a proxy for current value.
- Council Housing shall be included in the Balance Sheet at current value for the existing use of social housing which shall be derived by discounting the market value by a factor reflecting the difference between commercial and social rents.
- Surplus assets shall be included in the Balance sheet at fair value, defined as the amount that would be paid for the asset in its highest and best use less cost of sale in line with IFRS13 requirements.
- Infrastructure, community assets, and assets under construction for operational use, shall be included in the Balance Sheet at historical cost net of depreciation where appropriate.
- Any assets acquired for non-cash consideration shall be included in the Balance Sheet at current value.
- Heritage Assets shall be generally be valued at historic cost or by using their insurance value as a proxy for current value.

- Revaluation shall not occur at the point of disposal.

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

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

8.14.5 Asset Lives

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

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

8.14.6 De Minimis Expenditure

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

8.15 INTANGIBLE ASSETS

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

8.15.1 Research & Development

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

8.16 CAPITALISATION OF BORROWING COSTS

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

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

8.17 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

8.18 ASSETS HELD FOR SALE

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

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

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

8.19 ASSET DISPOSALS

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

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

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

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

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

8.20 LEASES AND LEASE-TYPE ARRANGEMENTS

8.20.1 Recognition and Classification

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

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

8.20.2 Acquisitions (Council as lessee)

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

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

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

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

8.20.3 Disposals (Council as lessor)

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

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

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

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

8.20.4 Sale And Leaseback Arrangements

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

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

8.20.5 Arrangements Containing a Lease

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

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

8.21 PRIVATE FINANCE INITIATIVE SCHEMES

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

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

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

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

8.22 GROUP ACCOUNTS

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

8.23 JOINT OPERATIONS

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

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

8.24 RELATED PARTIES

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

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

8.25 PRINCIPAL AND AGENT

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

8.26 WORKING BALANCES AND RESERVES

8.26.1 Classification

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

8.26.2 Usable Reserves

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

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

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

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

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

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

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

8.26.3 Unusable Reserves

The following financial reserves shall be maintained:

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

- Deferred Capital receipts – to reflect sale proceeds in respect of assets disposed of on a deferred basis.

8.26.4 Reporting

Usable reserve balances shall form part of the Council Fund.

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

8.27 PROVISIONS

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

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

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

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

8.27.1 Landfill Allowance Scheme Wales

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

8.28 CONTINGENT ASSETS AND LIABILITIES

8.28.1 Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

8.28.2 Contingent Assets

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

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

8.29 VAT

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

8.30 TRUST FUNDS & OTHER ACCOUNTS

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

8.31 IFRS 15 REVENUE FROM CONTRACT

Applies from 1 April 2018, replacing both IAS 18 and Revenue IAS 11 Construction Contracts. IFRS 15 establishes a new framework for revenue recognition and changes the basis for deciding whether revenue is recognised at a point in time or over a period of time. IFRS 15 has introduced 5 steps for revenue recognition, but as the Council has relatively predicable 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 2019-20	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Total Statutory Adjustments	Other Non-Statutory Adjustments	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Education Services	26,214	4,826	(806)	**30,234**	(672)	**29,562**
Social Care - Children's Services	58	1,333	(85)	**1,306**	(37)	**1,269**
Social Care - Adult Services	365	1,730	-	**2,095**	(215)	**1,880**
Housing Services	223	251	-	**474**	(28)	**446**
Council Housing	11,460	674	(4,882)	**7,252**	(6,330)	**922**
Highways & Transport Services	5,215	1,421	(1,750)	**4,886**	810	**5,696**
Cultural & Related Services	2,748	1,047	(14)	**3,781**	(196)	**3,585**
Planning Services	1,001	783	-	**1,784**	11	**1,795**
Environmental Services	1,537	1,297	-	**2,834**	(1,032)	**1,802**
Other Central, Corporate & Democratic Services	2,133	4,660	71	**6,864**	(1,270)	**5,594**
Court Services	-	9	-	**9**	-	**9**
Long Term Empty Properties*	-	-	-	**-**	(134)	**(134)**
Affordable Housing Scheme*	-	-	-	**-**	(991)	**(991)**
Contributions to Community*	-	-	-	**-**	(710)	**(710)**
Net Cost of Services (inc HRA) / Deficit on Continuing Operations	**50,954**	**18,031**	**(7,466)**	**61,519**	**(10,794)**	**50,725**
Other Operating Expenditure	(89)	-	-	**(89)**	15,985	**15,896**
Financing & Investment Income & expenditure	(34)	4,173	473	**4,612**	(54)	**4,558**
Taxation and non-specific grant income and expenditure*	(16,880)	-	-	**(16,880)**	(15,986)	**(32,866)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**33,951**	**22,204**	**(6,993)**	**49,162**	**(10,849)**	**38,313**

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

Actual Expenditure 2018-19	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	5,759	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**
Council Tax Reduction Scheme	-	-	-	**-**	-	**-**
Court Services	-	8	-	**8**	-	**8**
Second Home Council Tax (Community)	-	-	-	**-**	-	**-**
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.

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	2018-19 £'000	2019-20 £'000
Expenditure		
Employee Costs	165,586	171,015
Other Operating Costs	184,677	188,434
Support Services	-	-
Depreciation, amortisation & impairment	28,011	50,107
Interest Paid	14,290	15,157
Precepts & Levies	21,856	23,521
Gain or loss on disposal of assets	(56)	(89)
Total Expenditure	**414,364**	**448,145**
Income		
Rents, fees & charges etc	(60,423)	(60,340)
Interest & investment income	(325)	(554)
Income from council tax	(70,691)	(78,702)
Government grants and contributions	(272,579)	(270,236)
Total Income	**(404,018)**	**(409,832)**
Surplus or Deficit on the Provision of Services	**10,346**	**38,313**

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 2019-20 was set by the Welsh Government at 52.6p in the £1 with an average rateable value of £131,370,895 compared to 51.4p with an average rateable value of £130,434,804 in 2018-19. The Council made a net contribution to the NNDR pool of £14.178m in 2019-20 and £12.646m 2018-19.

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	**2018-19**	**2019-20**
Pembrokeshire County Council	£993.54	£1,092.09
Dyfed Powys Police Authority	£224.56	£248.56
Average Town and Community Council	£34.31	£36.60
Tax Base Number of Band D Equivalent		
Chargeable	57,074.89	57,470.05
Aggregate Collectable*	56,103.15	56,055.84

* Aggregate collectable figure made up of Budget Setting tax base 54,041.68 plus Second Homes 1,927.12 plus Long Term Empty Property Premium 87.04.

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	3,566	6,435	11,098	10,217	13,943	8,039	3,327	632	209

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

Council Tax Income	**2018-19 £000**	**2019-20 £000**
Council Tax Due In Year	(68,565)	(76,297)
Council Tax Due in Year - Second Home Premium	(2,363)	(2,580)
Council Tax Due in Year - Long Term Empty Property	-	(170)
Non- collection allowance	237	345
Amount Due From Taxpayers Before Rebates	**(70,691)**	**(78,702)**
Allocated to:		
Dyfed Powys Police Precept	(12,599)	(13,934)
Pembrokeshire County Council	(56,167)	(62,716)
Town and Community Councils Precepts	(1,925)	(2,052)
Total	**(70,691)**	**(78,702)**

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.

	2018-19 £000	2019-20 £000
Credited to Services		
DWP Subsidy Payments and Other DWP Grants	(33,318)	(29,349)
Post-16 and Adult Community Learning Grant*	(3,628)	(2,752)
Pupil Deprivation Grant	(3,027)	(2,953)
Flying Start & Families First Grant	(3,838)	(3,895)
Regional Consortia Schools Improvement Grant	(4,882)	(4,592)
Supporting People Grant	(2,714)	(2,728)
Sustainable Waste Grant**	(959)	(1,141)
Trunk Road Agency	(2,674)	(3,386)
European Community grants for Local Services	(1,681)	(2,009)
Intermediate Care Fund	(946)	(2,356)
Substance Misuse Action Fund	(925)	(993)
Local Authority Education Grant	-	(1,660)
Workforce & Sustainability	(574)	(1,184)
Grants & Contributions from Health Boards***	(8,370)	(9,620)
Refunded Direct Payments	(796)	(652)
Contributions from PTA/Parents	(783)	(581)
Contributions from ERW and Welsh Government	(743)	(664)
Contributions to Transport	(639)	(1,060)
Concessionary Fares	(1,383)	(1,407)
Local Authority Pensions Grant****	(591)	(1,607)
Other Grants or Contributions credited to Services*	(12,314)	(16,319)
Total Revenue Grants & Contributions Credited to Services	**(84,785)**	**(90,908)**

* Renamed Post-16 Provision Grant

** As Environmental & Sustainable Development Grant has ended line renamed

*** Renamed to include "grants"

**** Previously Transitional Education Grant

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

	2018-19 £000	2019-20 £000
Grants & Contributions Received	(85,928)	(91,803)
Grants Held In Advance Where Conditions Not Fulfilled	1,143	895
Grants & Contributions Credited As Income in Year	**(84,785)**	**(90,908)**

10.1.5 Capital Grants & Contributions

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

	2018-19 £000	2019-20 £000
Credited to Taxation and Non Specific Grant Income		
General Capital Grant	(3,002)	(1,295)
21st Century Schools	(10,815)	-
Convergence	(62)	(36)
Major Repairs Allowance	(3,995)	(3,990)
Welsh Government - Transport (Local Transport Fund, Safe Routes in Communities, Local Road Safety, Bulford Road, & Southern Strategic Route)	(2,258)	(4,615)
Welsh Government - Flood & Coastal Erosion Risk Management	(141)	(494)
Other Grants	(5,754)	(6,270)
Developers Contributions	7	(180)
	(26,020)	**(16,880)**
Applied to Finance Capital Expenditure	(26,020)	(16,880)
Transferred to Capital Grant Unapplied Reserve	-	-
	(26,020)	**(16,880)**

10.2 PRECEPTS AND LEVIES

	2018-19 £000	2019-20 £000
Precepts		
Dyfed Powys Police	12,599	13,933
Town and Community Councils	1,925	2,052
Levies		
West Wales Fire and Rescue	6,399	6,551
Pembrokeshire Coast National Park	933	985
Totals	**21,856**	**23,521**

10.3 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

	2018-19 £000	2019-20 £000
Expenditure in Year	3,366	4,003
Grant & Contributions Received in Year	(3,355)	(3,187)
Net Revenue Expenditure Funded from Capital Under Statute	**11**	**816**

10.4 PENSION COSTS

The Authority participates in two pension schemes:

10.4.1 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 2019-20 was calculated by the Fund's actuary based on the valuation as at 31 March 2019 for all employees of the County Council who are members of the scheme.

The Fund was valued as at 31 March 2019 & the results of this valuation are reflected in the 2019-20 accounts.

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

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

The pensions fund investment assets will move in line with the value of securities quoted on world equity markets which could increase or decrease. As the Pension Fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2020 and the date that the accounting statements are authorised for issue.

Revenue Transactions

Comprehensive Income And Expenditure Statement Entries included in Net Operating Expenditure	**2018-19**		**2019-20**	
	£000	**£000**	**£000**	**£000**
Interest on Pension Liabilities	17,853		18,479	
Interest on Plan assets	(14,499)		(14,306)	
		3,354		**4,173**
Administration Expenses		424		302
Past Service (Gain) / Cost *		10,103		2,196
Curtailment (Gain) / Loss		467		1,233
Business Combinations		-		1,349
Current Service Cost		22,521		27,513
		36,869		**36,766**
Statement of Movement on the Council Fund Balance Entries				
Reversal IAS 19 Entries Above:		(36,869)		(36,766)
Actual Charges Paid In Year				
Actual Amount Charged For Period	12,374		14,262	
Cost of Enhancements Charged In Year	797		791	
		13,171		15,053
		(23,698)		**(21,713)**
Employees Contributions		5.5%-12.5%		5.5%-12.5%
Employers Contributions		16.9%		17.0%
* 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 2018-19 £000	Funded Liabilities 2019-20 £000	Unfunded Liabilities 2019-20 £000	Total Liabilities 2019-20 £000
Liability as at 1 April	**700,718**	763,472	13,452	**776,924**
Movements in the year:				
Current Service Cost	22,521	27,513	-	**27,513**
Interest on Pension Liabilities	17,853	18,167	312	**18,479**
Member Contributions	4,388	4,704	-	**4,704**
Past Service (Gain) / Cost	10,103	2,196	-	**2,196**
Remeasurements (liabilities) *comprising of* :				
Experience (gain) / loss	-	22,819	(1,245)	**21,574**
(Gain) / Loss on financial assumptions	39,910	(13,047)	(143)	**(13,190)**
(Gain) / Loss on demographic assumptions	-	(21,292)	(283)	**(21,575)**
Curtailments	467	1,233	-	**1,233**
Settlements	-	-	-	**-**
Business Combinations	-	6,921	-	**6,921**
Benefits / transfers paid	(19,036)	(20,718)	(791)	**(21,509)**
Liability at 31 March	**776,924**	**791,968**	**11,302**	**803,270**

Reconciliation of Fair Value of the Scheme Assets

	2018-19 £000	2019-20 £000
Fair Value of Plan Assets as at 1 April	563,920	598,970
Movements in the year:		
Interest on Plan assets	14,499	14,306
Remeasurements (assets)	22,452	(64,762)
Administration Expenses	(424)	(302)
Settlements	-	-
Business Combinations	-	5,572
Employer Contributions	13,171	15,053
Member Contributions	4,388	4,704
Benefits / transfers paid	(19,036)	(21,509)
Fair Value of Plan Assets as at 31 March	**598,970**	**552,032**

Pension Fund Assets split by category

	31 March 2019 £000	31 March 2020 £000
Equities	413,889	404,144
Government	36,537	21,750
Other Bonds	63,491	55,700
Property	81,460	67,678
Cash/Liquidity	3,593	2,760
Net Current Assets	-	
Total	**598,970**	**552,032**

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.

The overall liability has had a significant increase primarily due to a revaluation of assets downwards in March 2020 by over £62m (Covid Impact)

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

Actuarial Assumptions

	Beginning Of Year %	End Of Year %
Financial Assumptions		
Rate of CPI inflation	2.2	2.1
Rate of increase in salaries	3.7	3.6
Rate of increase in pensions	2.3	2.2
Discount Rate	2.4	2.4
Life Expectancy (Years)		
Male future pensioner aged 65 in 20 years' time	25.2	24.5
Female future pensioner aged 65 in 20 years' time	28.1	27.1
Male current pensioner aged 65	23.0	23.0
Female current pensioner aged 65	25.7	24.9

Notes to the Actuarial Assumptions

- The end of year figures for the market value of the assets and split of assets between investment categories have been calculated as at 31 December 2019. The corresponding split of assets at the start of the year has been calculated as at 31 March 2019.

- 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 £2,700k 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 2.3%.
- 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 2020-21 estimated employer contributions are £13,757k per the Mercer report.

Effect Over Time of Actual To Assumed Performance

Scheme History	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
Present Value of Liabilities	(552,886)	(702,626)	(700,717)	(776,924)	(803,270)
Fair Value of Assets	446,934	547,228	563,920	598,970	552,032
Surplus / (Deficit) in the scheme	(105,952)	(155,398)	(136,797)	(177,954)	(251,238)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The overall impact is an increase in the deficit over the year. See section 1.4.2 for more details. The total liability of £251.2m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

10.4.2 The Teacher's Pension Scheme

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

Comprehensive Income & Expenditure Statement Entries	2018-19 £000	2019-20 £000
Included in Net Operating Expenditure		
Total contributions charged to the accounts	6,089	7,721
Cost of discretionary awards made in year	61	-
Employees contribution rate	7.4% - 11.7%	7.4% - 11.7%
Employers contribution rate	16.5%	16.5% - 23.7%
* Rate was 16.5% for April 2019 to August 2019 and 23.7% for September 2019 to March 2020		

10.5 REMUNERATION DETAILS

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

- Chief Executive / Head of Paid Service and Directors including pension contributions. The total contribution rate for employer pension contributions was 16.9% for 2018-19 and 17.0% for 2019-20.

Senior Officers		Gross Salary, Fees & Other Emoluments £	Employer Pension Contributions to Local Government Pension Scheme £	Benefits in kind £
Chief Executive/Returning Officer*	2018-19	138,123	22,860	12,346
	2019-20	166,857	23,455	13,568
Director of Resources	2018-19	114,034	19,948	6,137
	2019-20	118,888	20,242	7,553
Director of Community Services	2018-19	119,121	20,070	13,682
	2019-20	121,047	20,592	16,965
Director for Children & Schools**	2018-19	116,736	19,728	10,299
	2019-20	102,104	17,160	9,410
Director of Social Services & Housing	2018-19	114,129	19,272	9,348
	2019-20	118,958	20,242	7,812
Acting Director for Children & Schools***	2018-19	-	-	-
	2019-20	87,314	14,843	5,464

*Includes Election related fees £2,856 for 2018-19; £28,962 for 2019-20
**Director of Children & Schools left 31-01-2020
*** Acting Director of Children & schools started 01-02-2020

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

Other Employees	Number Of Employees	
Remuneration Band	2018-19	2019-20
£60,000 - £64,999	20	28
£65,000 - £69,999	12	12
£70,000 - £74,999	2	8
£75,000 - £79,999	3	3
£80,000 - £84,999	7	6
£85,000 - £89,999	4	4
£90,000 - £94,999	-	4
£95,000 - £99,999	5	3
£100,000 - £104,999	3	2
£105,000 - £109,999	1	-
£110,000 - £114,999	-	-
£115,000 - £119,999*	1	1
>£120,000*	-	1
*Banding includes termination benefits for Head of Service reported in note 10.5.3		

The remuneration of the Council's Chief Executive during 2019-20 was £137,895. The median remuneration of all the Council's employees during 2019-20 was £19,601. The ratio of the remuneration of the Council's Chief Executive to the median remuneration of all the Council's employees during 2019-20 was approximately 7 : 1.

The remuneration of the Council's Chief Executive / Head of Paid Service 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 / Head of Paid Service to the median remuneration of all the Council's employees during 2018-19 was approximately 6.9 : 1.

10.5.2 Members Allowances

The total allowances including taxable benefits paid to Members in the year totalled £1,139,056 compared with £1,121,240 in 2018-19.

10.5.3 Termination Benefits

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

Redundancy & Other Termination Costs (Current Year)	**2018-19**				**2019-20**			
Band	**No's**			**£000**	**No's**			**£000**
	Compulsory	**Other**	**Total**		**Compulsory**	**Other**	**Total**	
£0 - £20,000	22	72	94	**824**	31	70	101	**838**
£20,001 - £40,000	4	13	17	**418**	6	20	26	**690**
£40,001 - £60,000	-	10	10	**455**	1	7	8	**389**
£60,001 - £80,000	-	3	3	**219**	1	2	3	**205**
£80,001 - £100,000	-	-	-	**-**	-	-	-	**-**
£100,001 - £150,000	-	-	-	**-**	-	-	-	**-**
£150,001 - £200,000	-	-	-	**-**	-	-	-	**-**
£200,001 - £250,000	-	-	-	**-**	-	-	-	**-**
£250,001 - £300,000	-	-	-	**-**	-	-	-	**-**
Total	**26**	**98**	**124**	**1,916**	**39**	**99**	**138**	**2,122**

Pension Costs - Capital Settlement (Current Year)	**2018-19**		**2019-20**	
Band	**No's**	**£000**	**No's**	**£000**
£0 - £20,000	40	315	68	192
£20,001 - £40,000	10	273	14	244
£40,001 - £60,000	3	157	10	448
Total	**53**	**745**	**92**	**884**
Pension Costs - Annual Contribution (Prior Year)	**2018-19 £000**		**2019-20 £000**	
Annual Contribution	1,181		1,069	
Total	**1,181**		**1,069**	

10.6 AUDIT FEES

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

	2018-19* £000	2019-20 £000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	168	165
Fees payable to the Auditor General for Wales in respect of statutory inspections and the LG Measure	110	110
Fee payable for the certification of grant claims and returns	44	33
Total	**322**	**308**
* The 2018-19 fees were based on estimates in the previous year and have been restated to reflect the actual fees incurred. The figures for the 2019-20 fees are estimated.		

10.7 RELATED PARTIES

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

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

10.7.1 Members of the Council

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

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

During 2019-20 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 2019-20, where material these are detailed in the table below:

Member	Body	2019-20 Income £000	2019-20 Debtors £000	2019-20 Expenditure £000	2019-20 Creditors £000
Aaron Carey	Swim Narberth – Shareholder	0	0	21	0
Alison Tudor	Torch Theatre – Board Member	0	0	97	0
Alison Tudor	Hywel Dda University Health Board – Employee	(10,157)	1,626	1,708	(557)
Cristoffer Tomos	Frame – Committee Member	(15)	0	264	0
Cristoffer Tomos	Pembrokeshire College	(631)	7	400	0
David Bryan	Pembrokeshire People First	0	0	115	0
Di Clements	Pembrokeshire Coast National Park Authority	(5)	0	54	0
Guy Woodham	Torch Theatre – Employee	0	0	97	0
Huw George	Ysgol Y Preseli – Governor	0	0	20	0
Huw George	Frame - Director	(15)	0	264	0
Jon Harvey	Family Housing Association (Wales) Ltd – Development Manager	(1)	0	55	0
Jonathan Preston	Tenby Museum - Trustee	0	0	17	0
Joshua Beynon	Open University	0	0	19	0
Joshua Beynon	Ysgol Harri Tudor – Governor	0	0	88	0
Joshua Beynon	Pembroke Dock Town Council	(3)	0	183	0
Kenneth Rowlands	Johnston Community Council	(1)	0	33	0
Michael Evans	Pembrokeshire Coast National Park Authority	(5)	0	54	0
Michael Evans	Greenhill School Governor	0	0	52	0
Michael Evans	Tenby Town Council	(17)	0	184	0
Michael James	Pembrokeshire Coast National Park Authority	(5)	0	54	0
Michael James	Welsh Government Association	0	0	99	0
Michael James	Pembrokeshire College	(631)	7	400	0
Michael Williams	Tenby Museum and Art Gallery	0	0	17	0
Michael Williams	Pembrokeshire Coast National Park Authority	(5)	0	54	0
Neil Prior	Practice Solutions Limited – Associate	0	0	15	0
Neil Prior	Welsh Local Government Association	0	0	99	0
Neil Prior	Pobl Group – Non Executive Director	0	0	504	(19)
Pat Davies	Fishguard and Goodwick Young Persons Trust Ltd - Trustee	0	0	51	0
Paul Dowson	Meyrick Development Satellite System	0	0	25	0
Paul Dowson	Ysgol Harri Tudor – Board of Governors	0	0	88	0
Paul Harries	Pembrokeshire Coast National Park Authority	(5)	0	54	0
Paul Rapi	Tenby Town Council	(17)	0	184	0
Phil Baker	Pembrokeshire Coast National Park Authority	(5)	0	54	0
Philip Kidney	Pembrokeshire Coast National Park Authority	(5)	0	54	0
Reg Owen	Pembrokeshire Coast National Park Authority	(5)	0	54	0
Reg Owen	Milford Haven Port Authority - Advisory Committee	(97)	0	393	(5)
Rhys Sinnett	Torch Theatre – Board of Management	0	0	97	0
Rhys Sinnett	Pembrokeshire Mind	(18)	0	254	0
Rhys Sinnett	Pembrokeshire Care Society – Director	(15)	0	381	0
Rhys Sinnett	Milford Haven Port Authority – Advisory Committee	(97)	0	393	(5)
Rhys Sinnett	Hywel Dda University Health Board - Employee	(10,157)	1,626	1,708	(557)
Simon Hancock	St Mary's Church – Life Member	0	0	13	0
Simon Hancock	Dyfed Archaeological Association - Trustee	0	0	40	0
Simon Hancock	Torch Theatre – Board Member	0	0	97	0
Simon Hancock	Hywel Dda University Health Board – Independent Member	(10,157)	1,626	1,708	(557)
Steve Yelland	Pembrokeshire Coast National Park Authority	(5)	0	54	0
Thomas Tudor	Hywel Dda University Health Board – Employee	(10,157)	1,626	1,708	(557)

10.7.2 Officers

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

Officer	Body	2019-20 Income £000	2019-20 Debtors £000	2019-20 Expenditure £000	2019-20 Creditors £000
Jon Haswell	Pembrokeshire College – Board Member	(631)	0	400	0
Jon Haswell	ERW	(7,971)	(101)	33	0
Steven Jones	Glas Cymru (Welsh Water) – Board Member	0	0	50	0
Steven Jones	Pembrokeshire College – Board Member	(631)	7	400	0
Mike Cavanagh	PATCH (Pembrokeshire Action to Combat Hardship) - Director	0	0	24	0
Kate Evan-Hughes (left 31/01/2020)	Pembrokeshire College – Board Member	(631)	7	400	0
Kate Evan-Hughes (left 31/01/2020)	ERW	(7,971)	(101)	33	0

10.7.3 Contracts

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

10.7.4 Material Relationships

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

10.7.4.1 UK and Welsh Governments

The UK and Welsh Governments, and to a lesser extent the European Union (Until Brexit), have the responsibility for the statutory framework and provide the majority of the Council's funding, much of which is subject to specific terms and conditions. They can, therefore, exert effective control over the operations of the Council. Details of grants received are set out within note 10.1.4. Grant receipts outstanding at 31 March 2020 are set out within note 12.6.3.

10.7.4.2 Other Public Bodies

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

10.7.4.3 Pooled Budgets

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

	Joint Equipment Store	
	2018-19 £000	2019-20 £000
Balance B/fwd	-	-
Contributions:		
PCC	332	292
Hywel Dda	311	295
Expenditure in Year	**643**	**587**
Balance C/Fwd	**-**	**-**

10.7.4.4 Jointly Controlled Operations

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

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

Education through Regional Working (ERW)

ERW is an alliance of local authorities (six in 2019-20 and five in 2020-21) in South West and Mid Wales working to improve the standards of education of children and young people within the region. The Council is the lead for accounting purposes. The Council'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	**2018-19**		**2019-20**	
	Total ERW	**PCC Share**	**Total ERW**	**PCC Share**
	£000	**£000**	**£000**	**£000**
Expenditure	70,024	9,509	64,967	8,793
Income	(69,853)	(9,486)	(64,896)	(8,783)
Net Expenditure	**171**	**23**	**71**	**10**
Net Pensions Interest	(87)	(12)	20	2
Movement on Reserves	(84)	(11)	(91)	(12)
Net (Surplus) / Deficit	**-**	**-**	**-**	**-**

Balance Sheet as at 31 March	2018-19		2019-20	
	Total ERW £000	PCC Share £000	Total ERW £000	PCC Share £000
Current Assets	1,866	253	2,882	390
Current Liabilities	(1,443)	(196)	(2,459)	(333)
Total Assets Less Liabilities	**423**	**57**	**423**	**57**
Long Term Liabilities	(316)	(43)	(407)	(55)
Total Long Term Liabilities	**(316)**	**(43)**	**(407)**	**(55)**
Net Assets	**107**	**14**	**16**	**2**
Reserves	(107)	(14)	(16)	(2)
Total Financing	**(107)**	**(14)**	**(16)**	**(2)**

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

Swansea Bay City Deal

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

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

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

Pembrokeshire County Council's contribution is fully paid up to 31 March 2020.

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

In June 2020 The Pembroke Dock Marine (PDM) business case received approval to be part of the overall Swansea Bay City Deal programme. To date no grant funding has been received by the Local Authority from the Accountable Body of the Swansea Bay City Deal

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

10.7.4.5 Controlled or Influenced Entities

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

11.0 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

11.1 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND REGULATORY FUNDING BASIS

Actuals 2019-2020	General Fund Working Balance £000	HRA Working Balance £000	Capital Receipts & Grants Reserves £000	Total Usable Reserves £000	Unusable Reserves £000
Amounts included in Total Comprehensive Income and Expenditure required by regulation to be excluded to arrive at the funding position					
Depreciation	(17,170)	(4,084)	-	(21,254)	21,254
Impairment / Revaluation	(21,511)	(7,342)	-	(28,853)	28,853
Capital Grants Treated As Income	12,254	4,626	-	16,880	(16,880)
Revenue Expenditure Funded From Capital Under Statute	(816)	-	-	(816)	816
Disposal of Non-Current Assets	90	2	(3,761)	(3,669)	3,669
Use of Capital Receipts, Grants & Contributions to finance Capital Expenditure	-	-	-	-	-
Use of Capital Receipts set aside as reserved receipts	-	-	1,861	1,861	(1,861)
Use of Capital Receipts to fund revenue transformation activity (Capital Directive)	-	-	812	812	(812)
Transfer from Deferred Capital Receipts on receipt of cash	-	-	-	-	-
Capital Grants & Contributions Unapplied	-	-	-	-	-
Financing Cost Adjustment (EIR adjustment)	(13)	-	-	(13)	13
HRA Subsidy Exit Settlement		-	-	-	-
Pension Cost Adjustment	(35,277)	(1,489)	-	(36,766)	36,766
Employee Benefits – Leave Accrual	(486)	-	-	(486)	486
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position					
Minimum Revenue Provision	5,129	1,545	-	6,674	(6,674)
Statutory Repayment of Debt (Finance Lease Liabilities)	12			12	(12)
Statutory Repayment of Debt (PFI)	289			289	(289)
Capital Expenditure Charged To Council Fund (inc PFI Lifecycle)	5,347	4,858	-	10,205	(10,205)
Amortisation of net premium/discounts in relation to financial instruments	88	-	-	88	(88)
Employers contributions to pension schemes	14,434	619	-	15,053	(15,053)
Other Adjustments	-	-	-	-	-
Net Adjustment Required	**(37,630)**	**(1,265)**	**(1,088)**	**(39,983)**	**39,983**

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**

11.2 USABLE RESERVES

11.2.1 General Fund, HRA, Earmarked and Education Specific Reserves

	Balance 31 March 2019	Contrib'n (from) Revenue Accounts	Contib'n to Revenue Accounts	Financing Adj & Tfr to Provision	Contrib'n to Capital Accounts	Balance 31 March 2020
	£000	£000	£000	£000	£000	£000
Working Balances						
General Fund	(7,000)	-	-	-	-	(7,000)
HRA	(752)	-	-	-	-	(752)
Total Working Balances	**(7,752)**	**-**		**-**	**-**	**(7,752)**
Earmarked Reserves						
HRA Capital Reserve						
Housing HRA	(4,460)	(5,995)	-	-	4,858	(5,597)
Total HRA Capital Reserve	**(4,460)**	**(5,995)**	**-**	**-**	**4,858**	**(5,597)**
General Fund Capital Reserves						
General Capital Fund	(2,067)	(20)	60	-	1,167	(860)
Total Capital General Fund Reserves	**(2,067)**	**(20)**	**60**	**-**	**1,167**	**(860)**
General Fund Earmarked Revenue Reserves						
Insurance	(4,561)	(400)	-	736	-	(4,225)
Winter Maintenance	(227)	-	-	-	-	(227)
Risk Management	**(4,788)**	**(400)**	**-**	**736**	**-**	**(4,452)**
Property & Equipment	(1,336)	(819)	-	-	463	(1,692)
Carriageway Reconstruction	(49)	-	-	-	-	(49)
Vehicles & Plant	(4,761)	(1,768)	-	-	2,600	(3,929)
Cleddau Bridge	(1,667)	-	1,387	-	23	(257)
West Wales Crematorium	(583)	(141)	-	-	21	(703)
Asset Renewal & Repair	**(8,396)**	**(2,728)**	**1,387**	**-**	**3,107**	**(6,630)**
Elections	(114)	(42)	-	-	-	(156)
Social Care Reorganisation	(1,008)	-	-	-	-	(1,008)
Education Reorganisation	(683)	(231)	43	-	-	(871)
Equalisation	**(1,805)**	**(273)**	**43**	**-**	**-**	**(2,035)**
Invest to Save	(6,383)	(292)	2,206	-	122	(4,347)
Service Reconfiguration	(4,939)	-	2,195	-	493	(2,251)
Programme for Administration	-	(4,390)	198	-	-	(4,192)
Covid-19	-	(1,767)	-	-	-	(1,767)
Transformation	**(11,322)**	**(6,449)**	**4,599**	**-**	**615**	**(12,557)**
Planning	(210)	-	49	-	-	(161)
County Farms Compensation	(116)	(15)	-	-	-	(131)
Regeneration Fund	(580)	-	17	-	-	(563)
Economic Development & Tourism	(160)	-	38	-	-	(122)
Environmental Services	(153)	(60)	11	-	-	(202)
Recycling	(994)	(20)	-	-	328	(686)
Service Delivery	**(2,213)**	**(95)**	**115**	**-**	**328**	**(1,865)**
Joint Arrangements	(69)	-	12	-	-	(57)
Affordable Housing	(1,779)	(1,083)	23	-	-	(2,839)
Contribution to Community	(781)	(1,083)	306		3	(1,555)
External	**(2,629)**	**(2,166)**	**341**	**-**	**3**	**(4,451)**
TOTAL GENERAL FUND REVENUE EARMARKED RESERVES	**(31,153)**	**(12,111)**	**6,485**	**736**	**4,053**	**(31,990)**
Schools ISB Balances	(2,525)	(893)	1,276	-	-	(2,142)
School Catering SLA	(296)	-	-	-	-	(296)
Schools Maintenance SLA	(250)	(257)	(1)	-	-	(508)
Schools Supply Insurance	(657)	-	11	-	-	(646)
PFI ICT	(19)	(49)	61	-	-	(7)
PFI RSG Equalisation	(2,468)	(18)	189	-	-	(2,297)
TOTAL SCHOOLS & RELATED RESERVES	**(6,215)**	**(1,217)**	**1,536**	**-**	**-**	**(5,896)**

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 2019 £000	Rec'd In Year £000	Set Aside Prov'n £000	In Year Transfers £000	Applied to Revenue £000	Applied To Finance Expend £000	Balance at 31 March 2020 £000
Capital Receipts Reserve							
General Fund	(10,896)	(1,900)	-	-	-	812	(11,984)
HRA	-	(1,861)	1,861	-	-	-	-
TOTAL	**(10,896)**	**(3,761)**	**1,861**	**-**	**-**	**812**	**(11,984)**

Local Government Act 2003 Sections 16(2)(b) and 20: Treatment of Certain Costs as Capital Expenditure to create a Capitalisation Directive to use capital receipts to fund the costs of Service Reform and Transformation

During 19-20 The Council has used flexibility in the use of capital receipts under the guidance and direction issued by Welsh Government.

Project	Expenditure 19-20 £' 000	Expenditure Capitalised and funded through Capital Receipts £'000	Expected Savings per annum £'000
Workforce Transformation	812	812	519
TOTAL	**812**	**812**	**519**

12.0 NOTES TO THE BALANCE SHEET

12.1 NON-CURRENT ASSETS

12.1.1 Fixed Assets

It should be noted that all valuations presented in this section are reported on the basis of 'material valuation uncertainty', that is less certainty – and a higher degree of caution should be attached to the valuations than would normally be the case due to the Covid-19 pandemic.

The Council's fixed asset portfolio was valued at £722m as at 31 March 2020 compared to £731m as at 31 March 2019.

Fixed assets acquisitions in the year were made for consideration of £9.2m. This figure is included in the total additions value of £36m with the remaining value relating to construction costs or work relating to existing assets.

Asset disposals realised £1.8m in respect of non-council housing and £1.9m in respect of council house sales. At 31 March 2020, surplus assets awaiting disposal have an estimated value of £2.7m, of which £1.09m is estimated as being likely to be sold within the next 12 months.

Impairments were charged in the year representing Ysgol y Preseli Removal of the Portable Classroom, Pembroke School Demolition of former school as part of the construction of the new school, 8 out of 10 houses at Tudor Place, Tiers cross have been demolished to facilitate redevelopment and Under the Hills Demolition and replacement of utility blocks.

12.1.1.1 Valuation

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

Valuation Basis Gross Values	**Council House Assets**	**Other Land & Bldings**	**Infra-structure**	**Vehicle, Plant & Equip**	**Com'ty Assets**	**Heritage Assets**	**Assets Under Const'n**	**Surplus Assets**	**Total**
	£000	**£000**	**£'000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Carried at Historical Cost	85,770	58,294	168,636	26,900	557	1,131	3,094	75	**344,457**
Valued at Fair Value as at:									
31 March 2020	1,851	74,933	-	1,101	-	-	-	2,349	**80,234**
31 March 2019	1,233	33,053	-	58	45	-	714	-	**35,103**
31 March 2018	412	40,103	-	65	-	-	-	352	**40,932**
31 March 2017	333	59,692	-	-	-	24	-	-	**60,049**
31 March 2016	197,220	143,030	-	-	-	-	2,082	931	**343,263**
Total Cost or Valuation	**286,819**	**409,105**	**168,636**	**28,124**	**602**	**1,155**	**5,890**	**3,707**	**904,038**

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 £1.6m) is held in trust. In accordance the Code, this has been included in the Balance Sheet. It is also reported separately as part of the Tenby Pool Trust accounts.

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

12.1.1.2 Depreciation & Impairment

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

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

12.1.1.3 Asset Usage and Categorisation

Type Of Asset	Net Book Value					
	2018-19			2019-20		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
Property Plant & Equipment						
Council Dwellings	236	200,503	**200,739**	194,162	3,947	198,109
Land & Buildings	396,417	631	**397,048**	370,834	610	371,444
Infrastructure	119,707		**119,707**	121,500	-	121,500
Vehicles Plant & Equipment	10,060	561	**10,621**	14,424	505	14,929
Heritage Assets	531		**531**	528	-	528
Community Assets	579		**579**	578	-	578
Assets Under Construction	269		**269**	5,713	-	5,713
Surplus Assets	2,259		**2,259**	2,750	-	2,750
	530,058	**201,695**	**731,753**	**710,489**	**5,062**	**715,551**
Intangibles	320	-	**320**	214	-	214
Assets Held for Sale	338	-	**338**	-	-	-
Total	**530,716**	**201,695**	**732,411**	**710,703**	**5,062**	**715,765**

12.1.1.4 Movement in Non-Current Asset Values Property, Plant & Equipment Details 2019-20

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 2019	**278,945**	**427,372**	**163,239**	**23,484**	**598**	**809**	**269**	**2,297**	**897,013**
Prior Year Adjustment (GCA Valuation Error & Tenby Pool)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cost or Valuation At 1 April 2019	**278,945**	**427,372**	**163,239**	**23,484**	**598**	**809**	**269**	**2,297**	**897,013**
Additions	9,527	11,030	6,120	5,309	4	346	3,191	190	**35,717**
De-recognition / disposals	-	(2,288)	-	(3,032)	-	-	-	-	**(5,320)**
De-recognition – other (component)	-	-	-	-	-	-	-	-	**-**
Revaluation Acc Dep & Imp w/o to Gross Carrying Amount	(179)	(8,266)	(96)	-	-	-	-	(508)	**(9,049)**
Revaluations increases / (decreases) recognised in the Revaluation Reserve	985	2,593	-	808	-	-	-	266	**4,652**
Revaluations increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(606)	(14,915)	(627)	-	-	-	-	234	**(15,914)**
Reclassifications – PPE & Investment	-	-	-	-	-	-	-	-	**-**
Reclassifications – (to) / from Held for Sale	(1,853)	(1,208)	-	-	-	-	-	-	**(3,061)**
Other Movements	-	(5,213)	-	1,555	-	-	2,430	1,228	**-**
At 31 March 2020	**286,819**	**409,105**	**168,636**	**28,124**	**602**	**1,155**	**5,890**	**3,707**	**904,038**
Depreciation & Impairments									
Depreciation	(11,957)	(18,608)	(40,510)	(11,890)	-	(8)	(175)	(39)	**(83,187)**
Impairment	(66,249)	(11,716)	(3,022)	(973)	(19)	(270)	175	1	**(82,073)**
At 31 March 2019	**(78,206)**	**(30,324)**	**(43,532)**	**(12,863)**	**(19)**	**(278)**	**-**	**(38)**	**(165,260)**
Depreciation Charge for 2019-20	(3,952)	(9,808)	(3,318)	(2,934)	-	(4)	-	(778)	**(20,794)**
Impairment Losses & Non-Enhancing Expenditure to Revaluation Reserve	-	(3,391)	-	(293)	-	(56)	-	-	**(3,740)**
Impairment Losses & Non-Enhancing Expenditure to Surplus/Deficit on the Provision of Services	(6,735)	(5,225)	(383)	(112)	(5)	(289)	-	(190)	**(12,939)**
Derecognition / Disposals:									
~ W/O Accumulated Depreciation	-	962	-	2,804	-	-	-	-	**3,766**
~ W/O Accumulated Impairment	-	1,226	-	203	-	-	-	-	**1,429**
Revaluations:									
~ W/O Accumulated Depreciation	178	7,156	96	-	-	-	-	508	**7,938**
~ W/O Accumulated Impairment	-	1,108	1	-	-	-	-	-	**1,109**
Reclassifications:									
~ Transfer Accumulated Depreciation b/fwd	5	530					(74)	(457)	**4**
~ Transfer Accumulated Impairment b/fwd		105					(103)	(2)	**-**
At 31 March 2020	**(88,710)**	**(37,661)**	**(47,136)**	**(13,195)**	**(24)**	**(627)**	**(177)**	**(957)**	**(188,487)**
Balance Sheet Amount at 31 March 2020	**198,109**	**371,444**	**121,500**	**14,929**	**578**	**528**	**5,713**	**2,750**	**715,551**
Balance Sheet Amount at 31 March 2019	**200,739**	**397,048**	**119,707**	**10,621**	**579**	**531**	**269**	**2,259**	**731,753**

12.1.1.5 Comparative Movement in Non Current Asset Values Property, Plant & Equipment 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 2018	**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**

12.1.1.6 Heritage Assets

Heritage Assets with a net carrying amount of £531k and £527k were held for 2018-19 and 2019-20 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 :	2018-19 £000	2019-20 £000
Disposals		
Council Housing	1,379	1,849
Building Plots and Land	5,162	1,404
Investment Property	-	-
Other	1,165	2,430
Total Disposals	**7,706**	**5,683**
De-recognitions		
Council Housing	(89)	-
Building Plots and Land	-	-
Investment Property	-	-
Other	3,909	3,032
Total De-recognitions	**3,820**	**3,032**

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 £320k and £214k for 2018-19 and 2019-20 respectively.

12.1.4 IFRS 13 Fair Value Measurement – Surplus Assets

The fair value of the Council's surplus assets were £2,622k and £2,628k as at 31 March 2019 & 2020 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.

	2018-19 £000	2019-20 £000
Capital Expenditure Analysed by Services:		
Education	17,712	9,507
Social Services	394	113
Transport	7,173	7,593
Housing – H.R.A.	13,806	9,527
Housing – Council Fund	2,245	2,238
Culture & Related Services	1,964	1,024
Development	3,725	3,868
Environmental	2,900	4,817
Corporate	1,806	2,652
	51,725	**41,339**
Assets Acquired Under Finance Leases in the Year	6	7
Capital Investment	**51,731**	**41,346**
Representing:		
Fixed Assets Property Plant & Equipment	46,687	35,717
Sunk Costs Property Plant & Equipment	-	-
Intangible Assets	341	356
Loans & Advances	1,337	1,270
Gross Revenue Expenditure Funded from Capital Under Statute	3,366	4,003
	51,731	**41,346**
Financed by:		
Loans/Supported Borrowing	6,640	9,325
Unsupported Borrowing/LGBI	734	930
Capital Grants & Other Contributions	29,375	20,067
General Fund Reserves & Receipts Applied	14,976	11,017
Finance Leases	6	7
	51,731	**41,346**

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.

	2018-19 £000	2019-20 £000
Capital Financing Requirement as at 1 April	**235,303**	**236,119**
Movements in Year		
Increase/(Decrease) in Supported Borrowing (Local & Central Taxation)	810	1,419
Assets Acquired/Disposed of Under Finance Leases	6	7
Capital Finance Requirement as at 31 March	**236,119**	**237,545**
In Year Movement		
Capital Investment:		
Property Plant and Equipment Prior Year Reversal	-	
Property Plant and Equipment	46,687	35,717
Intangible Assets	341	356
Loans & Advances	1,337	1,270
Revenue Expenditure Funded From Capital Under Statute	3,366	4,003
Sub-total	**51,731**	**41,346**
Prior Year Adjustment	-	-
Total	**51,731**	**41,346**
Sources of Finance:		
Capital Receipts	-	(812)
Set Aside Capital Receipts	(1,388)	(1,861)
Government Grants and Other Contributions	(29,375)	(20,067)
Finance Lease Disposals	-	-
Sums Set Aside From Revenue:		
- Direct Revenue Contribution	(14,976)	(10,202)
- Minimum Revenue Provision	(5,176)	(6,975)
- Miscellaneous adjustment	-	(3)
	(50,915)	**(39,920)**
Increase/(Decrease) in Capital Financing Requirement	**816**	**1,426**

12.1.5.3 Capital Contract Commitments

The following represents amounts committed under major works contracts. £1.981m has been accrued in the 2019-20 accounts.

The major commitments under capital contracts at the 31 March are:	2018-19 £000	2019-20 £000
Education	4,600	7,165
Social Care	3	1,011
Transport	1,810	1,470
Housing – H.R.A.	1,571	1,119
Housing – Council Fund	246	263
Culture & Related Services	271	238
Development	774	1,412
Environmental	1,866	1,294
Corporate	1,730	1,239
	12,871	**15,211**

Education commitments have increased due to the commencement of the 21st Century Schools Band B Programme. The increase in the Social Care figure is due to the work required to open a Field Hospital, as a result of the Covid-19 pandemic. The Council will be fully reimbursed for the costs of this project.

12.2 PRIVATE FINANCE INITIATIVE

12.2.1 P.F.I. Arrangements

During 2000-01 the Council entered into a Private Finance Initiative scheme to facilitate the provision of a new Primary School and office facility at Pembroke Dock. The 30-year agreement was signed on 1 June 2000 with an initial capital outlay of £8.9m. The cost in the year for the serviced facility was £1.50m. Future commitments over the life of the contract are estimated to be £13.93m.

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

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

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

	2018-19 £000	2019-20 £000
Cost or Valuation		
At 1 April	**9,974**	**10,060**
Additions	86	127
Disposals	-	-
Reclassifications	-	260
Revaluations	-	-
At 31 March	**10,060**	**10,447**
Depreciation & Impairments		
Depreciation	(719)	(958)
Impairment	(143)	(229)
At 1 April	**(862)**	**(1,187)**
Depreciation Charge for Year	(239)	(228)
Impairment Losses for Year	(86)	(146)
Revaluation:		
W/O Accumulated Depreciation	-	-
W/O Accumulated Impairment	-	-
As at 31 March	**(1,187)**	**(1,561)**
Balance Sheet Amount at 31 March	**8,873**	**8,886**

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

	2018-19 £000	2019-20 £000
Liability		
Balance Sheet Amount at 1 April	**(6,682)**	**(6,418)**
Capital Element Repaid	264	289
Balance Sheet Amount at 31 March	**(6,418)**	**(6,129)**

12.2.3.3 PFI Lifecycle Cost Prepayment

	2018-19 £000	2019-20 £000
Prepayment		
Balance Sheet Amount at 1 April	**(1,427)**	**(1,597)**
Lifecycle Payment In Year	(256)	(261)
Lifecycle Non-Enhancing Expenditure In Year	86	127
Balance Sheet Amount at 31 March	**(1,597)**	**(1,731)**

12.2.3.4 Obligations Relating to PFI Assets

	Liability	Interest	Service Charge*	Lifecycle Replacement*	Total Oblig'n
	£000	£000	£000	£000	£000
Obligations 2020/21	316	561	239	67	1,183
Obligations 2021/22 - 2024/25	1,594	1,916	957	268	4,735
Obligations 2025/26 - 2029/30	3,006	1,382	1,196	336	5,920
Obligations 2030/31 – 2034/35	1,213	118	598	168	2,097
Obligations 2035/36 – 2039/40	-	-	-	-	-
Total Obligation At 31 March 2020	**6,129**	**3,977**	**2,990**	**839**	**13,935**
Total Obligation At 31 March 2019	**6,418**	**4,566**	**3,230**	**906**	**15,120**
*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 £629k and £571k for 2018-19 and 2019-20 respectively.

The minimum lease payments due under Finance Lease arrangements are £964k and £940k at 31 March 2019 and 31 March 2020 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 £14,819k.

Receipts Due	Payments Receivable 2020-21 £000	Payments Receivable 2021-22-2025-26 £000	Payments Receivable 2026 £000	Total £000
Finance Leases				
Gross investment in leases	0	0	0	0
Minimum lease receipts*	0	0	14	14
Operating Leases				
Minimum aggregate lease payments	1,571	3,027	10,221	14,819
* 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 £000	Culture Environ & Planning £000	Catering £000	Other £000	Total £000
Balance at 31 March 2019	**921**	**152**	**117**	**78**	**1,268**
Purchases	3,272	1,184	1,496	384	**6,336**
Recognised as an expense in year	(3,304)	(881)	(1,494)	(407)	**(6,086)**
Balance at 31 March 2020	**889**	**455**	**119**	**55**	**1,518**

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 2020 was £41.7m. The corresponding fair value of investments at 31 March 2019 was £51.1m.

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

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

Investments (Loans & Receivables)	Amortised Value* 31 March 2019 £000	Maturity Value			Interest Accrued in Year £000	Amortised Value 31 March 2020 £000	Fair Value 31 March 2020 £000
		1 April 2019 * £000	Move-ment In Year £000	31 March 2020 £000			
Short Term (under 12 months)							
Money Market	43,647	43,613	(4,415)	39,198	40	39,238	39,234
	43,647	**43,613**	**(4,415)**	**39,198**	**40**	**39,238**	**39,234**
Cash Equivalent							
Money Market	7,447	7,447	(5,027)	2,420	-	2,420	2,423
Total Investments	**51,094**	**51,060**	**(9,442)**	**41,618**	**40**	**41,658**	**41,657**

*Restated - Taken into account ERW Cash Balances at the end of 31 March 2019

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 2019 £000	Gross 31 March 2020 £000	Impairment Allowance £000	Net 31 March 2020 £000
Amounts falling due after one year:				
Mortgages	-			-
Other Loans	2,434	3,556	-	3,556
Debts Against Estates	1,809	1,296	-	1,296
	4,243	**4,852**	**-**	**4,852**
Amounts falling due in one year:				
Trade Receivables	9,264	12,239	(1,664)	10,575
Prepayments	2,271	2,225		2,225
Other Receivable Amounts	18,933	30,748	(3,616)	27,132
	30,468	**45,212**	**(5,280)**	**39,932**

12.6.2 Creditors

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

	Balance 31 March 2019*				Balance 31 March 2020			
	Short Term Creditors £000	Revenue Grants Receipts in Advance £000	Capital Grants Receipts in Advance £000	Total Creditors £000	Short Term Creditors £000	Revenue Grants Receipts in Advance £000	Capital Grants Receipts in Advance £000	Total Creditors £000
Amounts falling due in one year:								
Trade Payables	(20,325)	(175)	(4,740)	**(25,240)**	(14,837)	(210)	(5,218)	**(20,265)**
Other Payables	(8,661)	(968)	(4,802)	**(14,431)**	(8,488)	(685)	(2,682)	**(11,855)**
	(28,986)	**(1,143)**	**(9,542)**	**(39,671)**	**(23,325)**	**(895)**	**(7,900)**	**(32,120)**
Loan Interest				**(2,411)**				**(1,249)**
Loans Maturing within One Year				**(2,049)**				**(8,437)**
Total Creditors				**(44,131)**				**(41,806)**

*Restated - Taken into account ERW Cash Balances at the end of 31 March 2019

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 2019	Change in amount where conditions expected to be satisfied in < 1 year	Applied in Year Conditions Met	Returned / Accrual Reversed in Year Conditions Not Met	Received In Year Conditions Outstanding	Balance at 31 March 2020
Current Liability:						
Revenue Grants						
· General Fund	(1,143)		1,143		(895)	**(895)**
· **HRA**	-	-	-	-	-	**-**
Capital Grants						
· General Fund	(9,542)		3,305		(1,663)	**(7,900)**
· **HRA**	-	-	-	-	-	**-**
Total	**(10,685)**	**-**	**4,448**	**-**	**(2,558)**	**(8,795)**

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

Capital Grants Receipts in Advance	**2018-19 £000**	**2019-20 £000**
Current Liabilities		
WG - Home Improvements	(149)	(1)
WG - Town Centre	(2,129)	(2,128)
Contribution to Group Repair Schemes	(351)	(179)
S106 Developers Contributions	(3,664)	(4,303)
Other Capital Grants & Contributions	(3,249)	(1,289)
Total Current Liabilities Capital Grants Receipts in Advance	**(9,542)**	**(7,900)**

Revenue Grants Receipts in Advance	**2018-19 £000**	**2019-20 £000**
Current Liabilities		
Education & Childrens' Services	(360)	(278)
Adult Social Services	(306)	(112)
Culture, Environment & Planning Services	(102)	(108)
Highways & Transport Services	(47)	(49)
Central & Corporate Services	(260)	(325)
General Fund Housing & HRA	(68)	(23)
Total Current Liabilities Revenue Grants Receipts in Advance	**(1,143)**	**(895)**

12.7 CASH AND CASH EQUIVALENT

	Balance 1 April 2019* £000	Balance 31 March 2020 £000
Cash at bank / in hand	(712)	(1,963)
Bank Call Accounts	7,447	2,420
Cash overdrawn	-	-
Total Cash and Cash Equivalents	**6,735**	**457**

*Restated - Taken into account ERW Cash Balances at the end of 31 March 2019

12.8 ASSETS HELD FOR SALE

	2018-19 £000	2019-20 £000
Balance outstanding at start of year	103	338
Assets classified as Held for Sale during year	7,401	3,057
Revaluation gains / losses	1	-
Assets sold	(7,167)	(3,395)
Balance outstanding at end of year:	**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.

	2018-19			2019-20		
	Insurance £000	Other £000	Total £000	Insurance £000	Other £000	Total £000
Brought Forward at 1 April	**(1,440)**	**-**	**(1,440)**	**(1,748)**	**-**	**(1,748)**
Cost of Claims Charged To Services	481	-	481	553	-	553
Less : External Reimbursement	(34)	-	(34)	(53)	-	(53)
Other	-	-	-		-	-
Charged To Provision	**447**	**-**	**447**	**500**	**-**	**500**
Contributions & Transfers In Year	(755)	-	(755)	(736)	-	(736)
Balance Carried Forward at 31 March	**(1,748)**	**-**	**(1,748)**	**(1,984)**	**-**	**(1,984)**

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 100 front doors and 37 cupboard doors totalling £112k.
- The impact of Brexit on the Council is unknown until the exit arrangements are confirmed.
- The impact of Covid-19 may result in a future increase in Pension liability. As a 3 year agreement has just been entered into it is hoped that the impact of the drop in markets will have recovered before the date of the next agreement which will limit this liability.

12.9.3 Contingent Assets

None.

12.10 LONG TERM BORROWING

12.10.1 Analysis of Loan Transactions in Year

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

Amortised Value	**2018-19**	**Market Loans**	**WG**	**PWLB**	**2019-20**
	£000	**£000**	**£000**	**£000**	**£000**
Maturity Value	**(202,785)**	**(40,000)**	**(938)**	**(163,410)**	**(204,348)**
Financial Adjustment Account Entries					
Effective Interest Rate Adjust					
・Prior years *	**(541)**	(572)	107	-	**(465)**
・Current year	**(31)**	4	(17)	-	**(13)**
Deferred Liabilities Account Entries					
Discounts Transferred	**(200)**	(200)	-	-	**(200)**
Less Discount write down					
・Prior years	**18**	20	-	-	**20**
・Current year	**2**	2	-	-	**2**
Council Fund Account Entries					
Effective Interest Rate w/off	**(8)**	(8)	-	-	**(8)**
Amortised Value	**(203,545)**	**(40,754)**	**(848)**	**(163,410)**	**(205,012)**

* restated FIAA opening balance adjustment re SALIX

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 2020. 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	2018-19	Market Loans	WG	PWLB	2019-20
	£000	£000	£000	£000	£000
Maturity Value					
As at 1 April					
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)**
Repaid in Year	**1,799**	-	-	2,049	**2,049**
Raised in Year	**(6,000)**	-	-	(10,000)	**(10,000)**
As at 31 March					
Long Term Borrowing	**(202,785)**	(40,000)	(938)	(163,410)	**(204,348)**
Short Term Borrowing	**(2,049)**	-	(62)	(8,375)	**(8,437)**
Total Borrowing	**(204,834)**	**(40,000)**	**(1,000)**	**(171,785)**	**(212,785)**
Change in amount due in less than 1 year	**(350)**	-	-	(6,326)	**(6,326)**
Fair Value	**(299,128)**	**(62,945)**	**(875)**	**(226,618)**	**(290,438)**

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 2020. However for comparison calculating fair value using exit pricing would have resulted in a value of £414.45m 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 2020 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 2019	Incurred In Year	Released In Year	In Year PV Adjust-ment	Balance at 31 March 2020
	£000	£000	£000	£000	£000
S. Care Debts Against Estates	(1,809)	(1,954)	2,407	60	**(1,296)**
Private Finance Initiative (PFI)	(6,418)	-	289	-	**(6,129)**
Finance Leases (Property)	(160)	-	-	-	**(160)**
Finance Leases (Equipment)	(14)	(7)	12	-	**(9)**
Total	**(8,401)**	**(1,961)**	**2,708**	**60**	**(7,594)**

12.12 USABLE RESERVES

	2018-19	2019-20
	£000	£000
Earmarked Reserves (see note 11.2.1)	(43,895)	(44,343)
Capital Receipts and Contributions (see note 11.2.2)	(10,896)	(11,984)
Total	**(54,791)**	**(56,327)**

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 2019 £000	Movement in Year £000	Balance at 31 March 2020 £000
Deferred Capital Receipts Reserve	-	-	-
Capital Adjustment Account	(356,871)	11,829	(345,042)
Revaluation Reserve	(142,067)	5,118	(136,949)
Financial Instruments Adjustment Account	794	(75)	719
Accumulated Absences Account	1,230	486	1,716
Pensions Reserve	177,954	73,284	251,238
PFI Lifecycle Reserve	(1,597)	(134)	(1,731)
Unusable Reserves Total	**(320,557)**	**90,508**	**(230,049)**

12.13.1 Capital Adjustment Account

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

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

	2018-19 £000	2019-20 £000
Balance 1 April	**(337,604)**	**(356,871)**
Prior year write down of photocopier liability	-	-
Prior year sunk cost	-	-
Prior year capital spend transferred to revenue	-	-
Restated Balance 1 April	**(337,604)**	**(356,871)**
Amounts Set Aside To Repay Debt		
- Minimum Revenue Provision	(5,176)	(6,975)
- Reserved Capital Receipts	(1,388)	(1,861)
- Use of Capital Receipts to fund revenue transformation activity (Capital Directive)	-	(812)
Financing of Expenditure on Fixed Assets:		
- Capital Fund applied	(10,980)	(6,025)
- Other Funds applied	(3,996)	(4,180)
- Capital Receipts applied	-	
- Capital Grants & Contributions credited to CI&E applied to capital financing	(26,020)	(16,880)
Income & Expenditure Statement Charges:		
- Write down of Net Revenue Expenditure Funded from Capital Under Statute	11	816
- Amount Provided for Depreciation	19,408	21,254
- Non-Enhancing Expenditure	9,153	11,924
- Impairment	72	1,015
- Revaluation Loss	1,359	19,086
- Revaluation Gain used to reverse previous Revaluation Loss	(1,981)	(3,172)
- Write down of Deferred Liability	208	150
- Write down of Cleddau Bridge Loan	(200)	-
Fixed Asset Movements:		
- Disposals	7,200	3,519
- Valuation Adjustments	(1)	-
Revaluation Reserve Movements:		
- Amounts written off	(6,936)	(6,030)
Balance Carried Forward 31 March	**(356,871)**	**(345,042)**

12.13.2 Revaluation Reserve

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

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

	2018-19 £000	2019-20 £000
Balance Brought Forward at 1 April	**(146,138)**	**(142,067)**
Revaluation Gains	(6,672)	(7,505)
Downward revaluation and impairment*	3,807	6,593
Surplus/Deficit on revaluation of non-current assets not charged to the surplus/deficit on the provision of services	**(2,865)**	**(912)**
Write off excess current value depreciation over historical cost depreciation	4,103	-
Write off excess current value impairment over historical cost impairment	-	4,144
Write off balance re asset disposals	2,832	1,886
Total Written Off	**6,936**	**6,030**
Category Transfers	**-**	**-**
Balance Carried Forward at 31 March	**(142,067)**	**(136,949)**

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

12.13.3 Financial Instrument Adjustment Account

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

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

	2018-19 £000	2019-20 £000
Balance 31 March	**958**	**901**
Prior Year Adjustment		(107)
Balance 1 April	**958**	**794**
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	31	13
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 premiums	(88)	(88)
Balance 31 March	**901**	**719**

12.13.3.1 Nature and Extent of Risks Arising From Financial Instruments

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

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

Credit Risk

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

Investment Credit Risk

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

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

Credit Exposures

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

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

Liquidity Risk

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

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

In any event the Council can borrow from the Public Works Loans Board as well as having in place an agreed overdraft facility with its bankers. As a result there is no significant risk that the Council will be unable to raise finance to meets 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 2020 the net financial effect would be increased interest income of £459k.

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 two grant aided schemes where the grant is denominated in Euros, Bucanier and Ancient Connections. A Euro Bank account is open to support these scheme. The Council is the lead body for both grants in which the grants are claimed in euros for all parties, including Pembrokeshire. Although the Council redistributes the grant received to all parties in euros the Council is exposed to exchange risk on their remaining element. There was no balance on the Euro account as at 31 March 2020.
- 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 2020 there was a debtor of £202k relating to grant outstanding, therefore the exchange rate risk is immaterial.

12.13.3.2 Analysis of Loans Portfolio at Maturity Value by Lender and by Maturity Profile at 31 March 2020

Due for Redemption Within:	1 Year	1-2 Years	2 to 5 Years	5 to 10 Years	Over 10 Years	Total 2019-20
	£000	£000	£000	£000	£000	£000
Market Loans	-	-	-	-	40,000	**40,000**
WG	62	125	375	438		**1,000**
PWLB	8,375	1,530	14,602	14,044	133,234	**171,785**
Total	**8,437**	**1,655**	**14,977**	**14,482**	**173,234**	**212,785**
Fixed rate	8,437	1,655	14,977	14,482	158,234	**197,785**
Variable rate	-	-	-	-	15,000	**15,000**
Total	**8,437**	**1,655**	**14,977**	**14,482**	**173,234**	**212,785**

12.13.3.3 Analysis of Investment Portfolio at Maturity Value by Credit Exposure and by Maturity Profile at 31 March 2020

Due for Realisation Within :	1 Year	2 Years	5 Years	Total 2019-20
	£000	£000	£000	£000
Specified Investments (duration when made less than 364 days)				
Banks & Building Societies	36,617	-	-	**36,617**
Local Authorities	5,000	-	-	**5,000**
Non Specified (duration when made greater than 364 days)	-	-	-	**-**
Total	**41,617**	**-**	**-**	**41,617**
Fixed rate	33,000	-	-	**33,000**
Variable rate (Call Accounts)	8,617	-	-	**8,617**
Total	**41,617**	**-**	**-**	**41,617**

12.13.4 Accumulated Absences Account

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

	2018-19 £000	2019-20 £000
Balance 1 April	**1,634**	**1,230**
Settlement or cancellation of preceding year's accrual	(1,634)	(1,230)
Accrual for current year	1,230	1,716
Balance 31 March	**1,230**	**1,716**

12.13.5 PFI Lifecycle Reserve

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

12.13.6 Pensions Reserve

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

	2018-19 £000	2019-20 £000
Balance 1 April	**136,797**	**177,954**
Remeasurements of Pension Liabilities and Assets	17,459	51,571
Reversal of items chargeable to the surplus/ deficit on the provision of services in the Comprehensive Income and Expenditure Statement	36,869	36,766
Employers pension contributions and other direct payments in the year	(13,171)	(15,053)
Balance 31 March	**177,954**	**251,238**

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.

	2018-19		2019-20	
	HRA Working Balance £000	**Earmarked HRA Reserves £000**	**HRA Working Balance £000**	**Earmarked HRA Reserves £000**
Balance 1 April	**(752)**	**(8,794)**	**(752)**	**(4,460)**
(Surplus) / Deficit On HRA Services	**839**	**-**	**(207)**	
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	(11,423)	-	(11,426)	-
- Capital Grants treated as revenue income	3,995	-	4,626	-
- Net gain or loss on disposal of non-current assets	9	-	2	-
- Pension Cost Adjustment	(1,290)	-	(1,489)	-
Amounts excluded in Total Comprehensive Income and Expenditure required by regulation to be included to arrive at the funding position:				
- Provision for repayment of debt	1,545	-	1,545	-
- Revenue contribution to finance capital	9,811	-	4,858	-
- Employer's contribution to the Dyfed Pension Fund	571	-	619	-
Net (Increase) / Decrease Before Transfers (To) / From Reserves	**3,218**	**-**	**(1,265)**	**-**
Transfers (To)/ From Reserves	(4,057)	4,334	1,472	(1,137)
(Increase) / Decrease In Year	**(839)**	**4,334**	**207**	**(1,137)**
Balance 31 March	**(752)**	**(4,460)**	**(752)**	**(5,597)**

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.

	2018-19			2019-20		
	Rent Setting £000	Adjusts £000	IFRS Report £000	Rent Setting £000	Adjusts £000	IFRS Report £000
Income						
Rents: Dwellings (gross)	(22,860)	-	(22,860)	(23,674)		(23,674)
Other	(365)	-	(365)	(373)		(373)
Charges for services and facilities	(486)	-	(486)	(445)		(445)
Contributions towards expenditure	(615)	-	(615)	(620)	(14)	(634)
Total Income	**(24,326)**	**-**	**(24,326)**	**(25,112)**	**(14)**	**(25,126)**
Expenditure						
Repairs and maintenance (Pensions IAS19 adj)	9,019	212	9,231	9,276	265	9,541
Supervision and management (Pensions IAS19 adj)	4,183	341	4,524	4,049	410	4,459
Rents, rates, taxes & other charges	26	-	26	20		20
Bad debt provision	249	-	249	514		514
Depreciation, impairment & revaluation movements of non current assets	-	11,423	11,423		11,426	11,426
Debt management costs	10	-	10	10		10
Total Expenditure	**13,487**	**11,976**	**25,463**	**13,869**	**12,101**	**25,970**
HRA services share of corporate and democratic core	75	-	75	78		78
HRA Services share of non distributed costs	-	-	-			-
Net Cost / (Income) of HRA Services	**(10,764)**	**11,976**	**1,212**	**(11,165)**	**12,087**	**922**
HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement						
Interest receivable	(60)	-	(60)	(34)		(34)
Minimum Revenue Provision	1,545	(1,545)	-	1,545	(1,545)	-
Interest payable (including debt redemption premiums and discounts)	3,524	-	3,524	3,323		3,323
Appropriations to Reserves	5,755	(5,755)	-	6,331	(6,331)	-
(Gains)/Loss on HRA assets	-	(9)	(9)		12	12
Major Repairs Allowance & Other Grants	-	(3,995)	(3,995)		(4,626)	(4,626)
Pensions interest costs and expected rate of return	-	167	167		196	196
(Surplus) / Deficit for Year on HRA Services	**-**	**839**	**839**	**-**	**(207)**	**(207)**

13.3 NOTES TO THE HRA STATEMENTS

13.3.1 Housing Stock

The Council was responsible for the maintenance and management of an average stock of 5,644 dwellings and 1,075 shops and garages in 2019-20 comprising of:

	Stock at 1 April 2019	Additions	Transfers	Sales / Demolitions	Stock at 31 March 2020
Houses / Bungalows	4,364	12		(17)	4,359
Bedsits and Flats	1,283	-		(2)	1,281
Shops and Garages	1,075	-			1,075
Pumping Stations & Treatment Works	27	-			27
Total Stock	**6,749**	**12**	**-**	**(19)**	**6,742**

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

13.3.2 Rents - Dwellings

This is the total rent income due for the year after an allowance has been made for empty properties etc. Weekly rents were increased by 2.4% (CPI only) in 2019-20 plus a transitional amount between £1.00 and £1.60 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 £81.92. Individual rent increases applied varied between £0.90 and £4.21 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 2018-19 which are 4.5% and £78.45 respectively.

Tenants & Former Tenants	2018-19 £000	2019-20 £000
Gross Arrears	1,418	1,945
Bad Debt Allowance	(859)	(1,263)
Net Arrears at 31 March	**559**	**682**

13.3.3 Services Charges

Welsh Government require Service Charges to be De-pooled from rents. During 2019-20 tenants were charged for all services received with the exception of Grounds maintenance services. Individual tenants were charged between £0.11 and £31.80 per week. 1,100 PCC tenants were charged for services with the average weekly charge being £4.99 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 2019-20 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.

Haverfordia Site
Hayscastle School Site

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.

Etienne House (Former Hakin Social Club)
Fernside Cottage
31 St Issells Avenue

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 2019	**264,867**	**6,070**	**8,008**	**278,945**
Additions	9,077	450	-	9,527
Derecognition - disposals	-	-	-	-
Derecognition - other	-	-	-	-
Revaluation Acc Dep & Imp w/o to GCA	(179)	-	-	(179)
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	985	-	-	985
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(606)	-	-	(606)
Reclassifications - PPE & Investment	-	-	-	-
Reclassifications - Held for Sale	(1,853)	-	-	(1,853)
At 31st March 2020	**272,291**	**6,520**	**8,008**	**286,819**
Depreciation & Impairments				
Depreciation	(10,433)	(527)	(997)	(11,957)
Impairment	(65,797)	-	(452)	(66,249)
At 1st April 2019	**(76,230)**	**(527)**	**(1,449)**	**(78,206)**
Depreciation Charge for 2019-20	(3,562)	(193)	(197)	(3,952)
Impairment Losses to RR	-	-	-	-
Impairment Losses to Surplus/Deficit on the Provision of Services	(6,478)	(257)	-	(6,735)
Disposals:				-
~ W/O Accumulated Depreciation	-	-	-	-
~ W/O Accumulated Impairment	-	-	-	-
Revaluations				-
Revaluation Acc Dep w/o to GCA	178	-	-	178
Revaluation Acc iMP w/o to GCA	-	-	-	-
Reclassifications				-
~ Transfer Accumulated Depreciation b/fwd	5	-	-	5
~ Transfer Accumulated Impairment b/fwd				-
At 31st March 2020	**(86,087)**	**(977)**	**(1,646)**	**(88,710)**
Balance Sheet Amount at 31st March 2020	**186,204**	**5,543**	**6,362**	**198,109**
Balance Sheet Amount at 1st April 2019	**188,637**	**5,543**	**6,559**	**200,739**

13.3.5 HRA Capital Expenditure and Receipts

Total Capital Expenditure Funded by:	2018-19 £000	2019-20 £000
Major Repairs Allowance Grant	3,995	3,990
Capital Grants & Contributions	-	679
Capital Receipts	-	-
Capital Fund	9,811	4,858
Total	**13,806**	**9,527**
Receipts From Asset Disposals	**1,405**	**1,878**

13.3.6 HRA Pension Costs

HRA pension contributions of £674k from the Pension Reserve were made in accordance with Accounting Policy 8.8 as set out in the Statement of Accounting Policies.

14.0 OTHER ACCOUNTS PREPARED OR CONTROLLED BY THE COUNCIL

The Council operates trust funds for Education & Children's Services, Social Care, Tenby Swimming Pool and Welsh Church Act Fund representing total accumulated funds of £3.9m in 2018-19 and £3.9m in 2019-20.

15.0 EVENTS AFTER THE REPORTING PERIOD

The substantial impacts of the Covid-19 pandemic started to take effect in March 2020 before the end of the 2019-20 reporting period. Where known these impacts have been reflected in the 2019-20 financial statements and are explained within the sections above.

Non-adjusting events identified between 31 March 2020 and the date that the accounting statements are authorised for issue include:

- abnormally large changes in asset values after the year end - included within narrative report; 6.0 critical judgements and 12.1 non-current assets;
- Substantial falls in equity markets around the world impacting pension fund investments – included within 10.4.1 Pension Costs:

The pensions fund investment assets will move in line with the value of securities quoted on world equity markets which could increase or decrease. As the Pension Fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2020 and the date that the accounting statements are authorised for issue.