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# **STATEMENT OF ACCOUNTS**

## **FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2017**

**CHRIS MOORE FCCA  
DIRECTOR OF CORPORATE SERVICES  
COUNTY HALL  
CARMARTHEN**

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## 1 NARRATIVE REPORT

The following Statement of Accounts brings together in summary form the financial transactions of the Authority and of the Dyfed Pension Fund for the year 2016-17.

The Authority's Accounts for the year 2016-17 are set out on the following pages of this report, and have been produced in line with the 2016-17 Code of Practice on Local Authority Accounting (the Code).

### 1.1 The accounts consist of the following financial statements:

#### **Expenditure and Funding Analysis**

This statement shows the reconciliation between how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices as shown in the Comprehensive Income and Expenditure Statement.

#### **Comprehensive Income and Expenditure Statement (CIES)**

This statement shows the accounting 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 to cover expenditure in accordance with regulations; this may be different from the accounting cost. The reconciliation to the taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

#### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Provision of Services line shows a deficit of £22.160m being the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

#### **The Balance Sheet**

This shows the assets and liabilities of the Authority as at 31 March 2017.

#### **The Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period.

#### **The Housing Revenue Account Income and Expenditure Statement and Movement on the Housing Revenue Account Statement**

This shows the income and expenditure incurred on Council housing (which is included in the whole Authority income and expenditure statement) and how the surplus/deficit for the year reconciles to the movement on HRA balance for the year.

#### **Dyfed Welsh Church Fund and Other Trust Funds**

These accounts show the financial transactions and net assets relating to sums within the trusts.

The accounts are supported by the Statement of Accounting Policies (Note 6.1 - Notes to the Accounts).

## 1.2 Revenue Budget

The following table shows how the actual spend on services during 2016-17 compared with the budget set for the year.

Service	Working Budget				Actual				Variance For Year
	Expenditure	Income	Net Non Controllable	Net	Expenditure	Income	Net Non Controllable	Net	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	19,417	(7,664)	(1,698)	10,055	21,153	(9,561)	(1,698)	9,894	(162)
Education & Children	177,362	(39,607)	25,223	162,978	204,447	(65,161)	25,222	164,508	1,531
Corporate Services	82,153	(51,554)	(9,074)	21,525	86,277	(55,928)	(9,074)	21,276	(249)
Communities	126,324	(47,294)	14,984	94,014	130,717	(51,753)	14,984	93,948	(65)
Environment	117,965	(79,113)	11,034	49,886	123,004	(84,114)	11,034	49,924	38
<b>Departmental Expenditure</b>	<b>523,221</b>	<b>(225,232)</b>	<b>40,469</b>	<b>338,458</b>	<b>565,598</b>	<b>(266,517)</b>	<b>40,468</b>	<b>339,550</b>	<b>1,093</b>
Net Interest & Capital Accounting Adjustments				(11,517)				(16,803)	(5,286)
Pension Reserve Adjustment				(3,618)				(3,618)	0
Accumulated Leave				(1,406)				(1,406)	0
<b>Levies and Contributions:</b>									
Brecon Beacon Nat Parks				138				138	0
Fire Authority				9,172				9,172	0
<b>Net Expenditure</b>				<b>331,227</b>				<b>327,033</b>	<b>(4,193)</b>
Contribution to/(from) General Balances				(65)				523	588
Contribution to/(from) Earmarked Reserves				(200)				(200)	0
To/(from) Departmental Reserves				0				200	200
To/(from) Major Development Fund				0				4,679	4,679
<b>Net Budget</b>				<b>330,962</b>				<b>332,235</b>	<b>1,274</b>
Revenue Support Grant				(195,966)				(195,966)	0
Non Domestic Rates				(55,720)				(55,720)	0
Council Tax				(79,275)				(80,549)	(1,274)
				0				0	0

The financial position, at year end showed an over-spend at service level within the year of £1,093k.

The Education department was £1,531k over budget, due to school based EVR and redundancy costs, additional Special Education Needs statements and the increasing age profile of Looked after Children requiring more costly support for longer. The Environment budget experienced pressures, mostly within the Waste and Environmental Services division due to the cost of asset transfer commitments for leases to cover the next 2 years, resulting in a net overspend of £38k.

These overspends have been offset by under-spends in the other departments, savings on capital financing costs which include a saving of £2.9m from the change in the repayment method of the Council's borrowing from a 4% reducing balance basis to a 'straight line' repayment basis of 2.5% approved by Council on 26<sup>th</sup> April 2017 and a higher

than estimated collection level on Council Tax which has meant that the Authority transferred £523k to general reserves for the 2016-17 financial year compared to a budgeted transfer from reserves of £65k.

HOUSING REVENUE ACCOUNT	Working Budget			Actual			Variance For Year
	Expenditure	Income	Net	Expenditure	Income	Net	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Revenue Account	32,750	(37,638)	(4,888)	33,121	(38,011)	(4,890)	(2)
Transfers to/from HRA balances	0	0	4,888	0	0	4,890	2

The Housing Revenue Account (HRA) reported an under spend of £2k for the year.

The main variances were:

- increased revenue Repairs and Maintenance of £700k due to an increase in responsive works and a direct revenue contribution to fund the capital programme for major void works.
- Supervision and Management costs -£166k,
- capital financing costs -£110k due to opening debt being slightly lower than forecasted giving rise to reduced principal and interest payments.
- reduction in the provision for debt the write-off -£455k, based on arrears levels and aged debt analysis.
- rental income higher due to lower void loss -£278k and an increase in Service charge income of -£109k

### 1.3 Reserves

In the changeable and challenging environment currently facing Local Government the Authority is committed to maintaining a reasonable level of reserves. At the year end the general reserves amounted to the following:

	£'000	£'000
Council Fund:		
Held by Schools under Local Management of Schools Regulations (LMS)	1,710	
Generally available for new expenditure	9,304	11,014
Housing Revenue Account		14,011
		<u>25,025</u>

In addition to general reserves the Authority holds earmarked reserves of £74.133m for specific purposes.

### 1.4 Borrowing

£16.7m new borrowing was taken from the Public Works Loans Board (PWLb) in 2016-17.

As at the 31 March 2017 the Authority's total borrowing stood at £388m, which was within the Authority's authorised limit of £524m. Further detail is included in Note 6.47 to the Accounts.

The Authority's borrowing procedures and limits are outlined in the Treasury Management Policy and Strategy, which is approved annually.

### **1.5 Pensions Reserve**

The Pensions Reserve 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 of £361m therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

### **1.6 Current Economic Climate**

The accounting statements are required to reflect the conditions applying at the end of the financial year.

All the assets of the Authority are re-valued on a cyclical basis and in many instances therefore the current valuation (last undertaken in past years) is likely to reflect current market value.

The funding for the public sector has had a consistent theme over recent years with the level of resources available to public services seeing significant reductions. The Authority's current three year Medium Term Financial Plan (MTFP) was agreed by Council in February 2017 and was based on estimates of known commitments and formulated in the context of the late financial settlement for 2017-18 with no indicative settlements available from Welsh Government (WG) for future years.

The outcome of the General Election on 8<sup>th</sup> June 2017 has been a hung parliament.

There is significant political debate at present as to whether a new minority Conservative government will take a different course to the previous government on a number of key areas, specifically:

Whether the austerity measures, adopted by the previous government, will continue in their present form and to a similar extent going forward

Whether the government will pursue a 'hard' Brexit or 'soft' Brexit in its negotiations with Europe, and the resultant economic impact of any final agreement that may be reached.

In addition to the uncertainty around the decisions regarding public spending to be taken by central government, as outlined above at the time of the 2017-18 Final Settlement WG provided no forward indications as to future settlements and thereby their intentions regarding their priorities for funding allocations going forward.

Our overall financial standing has been maintained at a prudent level. Many of our reserves are earmarked for specific purposes – whether this is to address liabilities now or in the future e.g. Insurance reserves, or for financing specific capital schemes.

**1.7 Capital**

In 2016-17 the Authority spent some £66.1m on capital projects. This expenditure was financed by a combination of borrowing, useable capital receipts, government grants, contributions and direct revenue financing.

£18.2m was spent on Housing with the areas of spend being as follows:

**Public Sector**

Refurbishment & Redevelopment of Housing Stock	£14.9m
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**Private Sector**

Disability Facility Grants	£2.0m
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Other Improvements	£1.3m
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The major areas of expenditure on non-housing services were as follows:

	£'m	
Education & Childrens Services	17.5	New Schools, Renovations and Improvements to existing Schools & Children & Family Services projects
Leisure	1.1	Rights of Way, Sports & Leisure, Arts & Culture
Infrastructure	9.9	Roads, Bridges, Cycle Paths, Road Safety, Car Parks, & Coastal Defence
Fleet	7.6	New refuse collection vehicles and buses
Economic Development	6.5	Physical Regeneration Projects County Wide, Community Development and Joint Ventures
Social Services	0.8	Care Homes and Learning Disability Developments
Corporate	4.5	Capital Minor Works and IT Strategy Developments

**1.8 Further Information**

Further information about the accounts is available from the Head of Financial Services, Corporate Services Department, County Hall, Carmarthen, SA31 1JP.



## **2 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority 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 these affairs. In this Authority, that officer is the Director of Corporate Services.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

### **Audit Committee Approval**

Approval of Statement of Accounts post audit.

Chair of Audit Committee

Dated: 29 September 2017

### **The Director of Corporate Services' Responsibilities**

The Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper accounting 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 Corporate Services has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper and timely accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;

### **Certification of Accounts**

I certify that the Statement of Accounts on pages 33 to 174 gives a true and fair view of the financial position of Carmarthenshire County Council and the Dyfed Pension Fund at 31<sup>st</sup> March 2017 and its income and expenditure for the year ended 31<sup>st</sup> March 2017.

Chris Moore FCCA  
Director of Corporate Services

Dated: 21 September 2017

### 3 ANNUAL GOVERNANCE STATEMENT

#### 3.1 Scope of Responsibility

Carmarthenshire County Council (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must also ensure that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Authority is responsible for putting in place proper arrangements for the Governance of its affairs and facilitating the effective exercise of its functions including having appropriate arrangements for the management of risk.

The Authority details how it deals with all aspects of Governance through its Constitution which defines the standards, roles and responsibilities of the Executive, its Members, Committees and its Officers. The Constitution includes a Scheme of Delegation outlining the decision making process, taking into account the relevant legislation.

A **Corporate Governance Group** comprising key Officers and 2 Executive Board Members is in place to inform and monitor progress on issues affecting Governance, including the **Code of Corporate Governance**, approved by Council in June 2012 and updated by Audit Committee in March 2016. The Chair of the Audit Committee is invited to the Corporate Governance Group meetings in an observer capacity.

The Code of Corporate Governance recognises policies and processes that are consistent with the principles of the CIPFA / SOLACE Framework '**Delivering Good Governance in Local Government**' (Guidance Notes for Welsh Authorities 2016 Edition – Published September 2016). This framework identifies 7 key principles of good governance which complement the Well-being of Future Generations Act requirements.

This Statement explains how the Authority has complied with the various elements of the Governance Framework

#### 3.2 The Governance Framework

The Governance Framework comprises the systems, processes, cultures and values by which the Authority is directed and controlled and also the way it accounts to, engages with and leads the Community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of Internal Control is a significant part of that framework and is designed to manage risk to a reasonable level. It aims to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives. It evaluates the likelihood and impact of identified risks being realised and to manage individual risks appropriately.

#### 3.3 The Governance Environment

The CIPFA/SOLACE Governance Framework sets out 7 fundamental principles of Corporate Governance. The 'CIPFA Seven' are:

1. **Integrity and Values** - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*

2. **Openness and engagement** - *Ensuring openness and comprehensive stakeholder engagement*
3. **Making a difference** - *Defining outcomes in terms of sustainable economic, social, and environmental benefits*
4. **Making sure we achieve what we set out to do** - *Determining the interventions necessary to optimise the achievement of the intended outcomes*
5. **Valuing our people; engaging, leading and supporting** - *Developing capacity and the capability of leadership and individuals*
6. **Managing risks, performance and finance** - *Managing risks and performance through robust internal control and strong public financial management*
7. **Good transparency and accountability** - *Implementing good practices in transparency, reporting, and audit to deliver effective accountability*

The Authority addresses the 7 Fundamental Principles through the following:

- 3.3.1 **Integrity and Values** - *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*

#### 3.3.1.1 Standards Committee

Standards Committee oversees standards of members conduct, arranges training for members of the Council and members of Town and Community Councils on the Code of Conduct, and considers applications for dispensations to participate in meetings where members identify personal and prejudicial interests in the business in hand.

The Committee also oversees the arrangements for providing a safe environment for Whistleblowing.

#### 3.3.1.2 Core Values

The Council's Core Values were refreshed during 2015/16 in conjunction with staff, elected members, senior management and the trades unions. They underpin the way in which the Council operates and delivers its services. They provide a foundation for service priorities and act as a guide to develop inclusive services, which are responsive to the needs of customers whilst supporting and valuing our staff. Working as One Team we:

- Focus on our **CUSTOMERS**
- **LISTEN** to improve
- Strive for **EXCELLENCE**
- Act with **INTEGRITY**
- Take personal **RESPONSIBILITY**

Work is now underway to develop an Overarching Behaviours Statement that will ensure the refreshed Core Values are embedded throughout the Authority.

#### 3.3.1.3 The Constitution

The Authority adopted a new form of Constitution in the form promoted by the Welsh Assembly Government upon the modernisation of local government following the Local Government Act 2000, and this has been kept under constant review since then to ensure that it meets the needs of the Authority and its regulators in terms of transparency of Governance, accountability and decision making.

The Constitution is published on the Council's website and essentially explains the way the Council operates and how it takes decisions. It comprises 8 parts, namely:

1. *Summary & Explanation* – a brief overview of the make up of the Council and its *decision making bodies*
2. *The Articles* – a fuller description of the Council and its constituent parts.
3. *Functions / Delegations* - This Part explains which Members are responsible for which decisions, and in particular whether they are decisions which can only be taken by the Council, or only by the Executive Board, and the decisions which have been delegated *to officers to take under a Scheme of Delegation*.
4. *Rules of Procedure* - including the rules relating to the *Conduct of Council and Committee* meetings (commonly known as **"Standing Orders"**), rules relating to proceedings of the Executive Board and Scrutiny Committees, rules relating to access to *information*, **Contract Procedure Rules, Financial Procedure Rules and Officer Employment Rules**.
5. *Codes & Protocols* - Amongst the Codes included in this Part is the statutory **Code of Conduct for Members**. In this respect Members' conduct is strictly governed whether it be in respect of their role as Councillors or as decision makers. In particular Members having a personal and prejudicial interest in any business being transacted at meetings have to declare their interest and withdraw from the meeting (unless they have obtained a dispensation to participate).
6. a) *Councillors and Co-Opted Members' Scheme of Allowances* - which sets out the respective Job Profiles and Personal Specifications for Members, Executive Board Members, and Chairs and Vice-Chairs of Committees, as well as details of payments which Members are entitled to. In relation to payments to Members as of the 1<sup>st</sup> April 2012 the Independent Remuneration Panel for Wales, which is the body formed to determine Members' payments (now called "salaries"), used its new powers to actually prescribe the amounts to be paid as opposed to prescribing maximum payments which could be made. The purpose of this prescription was to make payments more consistent across Wales.
6. b) *Management Structures*
7. *Names & Addresses of Councillors*
8. *Bilingual Composition of Executive Board and Committees*

The Constitution is a living document and individual amendments are reported to Council for decision on an as and when required basis, following consideration by the Constitutional Review Working Group. No major amendments were made to the Constitution during the 2016/17 Municipal Year. However, in accordance with a new statutory duty the County Council resolved at its meeting of the 25<sup>th</sup> January 2017 to designate the Policy and Resources Committee as the Scrutiny Committee responsible for scrutinising the work of the new Carmarthenshire Public Service Board.

The County Council reviewed its political balance and composition of Committees during the Municipal year following the resignation of one member from a political group and a by-election held as a result of the sad passing of a sitting member.

It was pleasing to note that amendments introduced to Council's Standing Orders in previous years resulted in 17 Questions on Notice being asked by members of the Public at County Council meetings during the Municipal Year and 49 Questions on Notice at meeting of the executive Board during the Municipal Year.

Additionally, relaxations made to the rules relating to the tabling of Notices on Motion in a previous year resulted in 11 Notices on Motion being tabled during the 2016/17 Municipal Year.

In August 2016 the Executive Board introduce new governance arrangements for the Home to School Transport Appeals Panels.

#### **3.3.1.4 Corporate Governance Group**

As stated in Section 3.1, a Corporate Governance Group has been established to co-ordinate, manage and report on the Governance arrangements of the Authority. The Group comprised:

- Executive Board Member for Resources
- Executive Board Member for Communities
- Chair of Audit Committee (in an observer capacity)
- Director of Corporate Services (s.151 Officer)
- Head of Administration & Law (Monitoring Officer)
- Head of Financial Services
- Assistant Chief Executive (Regeneration & Policy)
- Assistant Chief Executive (People Management)
- Interim Head of Audit, Risk & Procurement
- People Services Manager
- Nominated substitutes allowable

The Group are responsible for updating the Code of Governance and developing the Annual Governance Statement.

In addition, the Group now oversees the work of the Information Management Group.

#### **3.3.1.5 Monitoring Officer**

The Monitoring Officer (Head of Administration & Law) is responsible for maintaining the Constitution to ensure that it reflects up to date legislative requirements and the Authority's Governance needs, and is also responsible for ensuring that the provisions are fully complied with at all levels of the Authority's activities. As Chief Legal Officer supported by the in-house legal team, the Monitoring Officer has access to all meetings of the Authority including the Executive Board and the Authority's Corporate Management Team. The Monitoring Officer is well placed to play a proactive role in supporting Members and Officers in both formal and informal settings to comply with the law and with the Authority's own procedures. As the Head of Service with ultimate responsibility for the Democratic Services Unit, the Monitoring Officer is also responsible for the formal recording and publication of the democratic decision making process.

The Monitoring Officer works closely with the Head of Paid Service and the Section 151 Officer in accordance with the provisions of the Local Government and Housing Act 1989 and will report to Council or the Executive Board if she considers that any proposal will give rise to unlawfulness.

There is an All Wales Network of Monitoring Officers which meets on a quarterly basis to discuss topical issues and share best practice, which the Monitoring Officer attend.

### 3.3.2 **Openness and engagement** - *Ensuring openness and comprehensive stakeholder engagement*

#### 3.3.2.1 **Consulting and Engaging with Citizens and Service Users**

The Authority has a well-established method of consulting and engaging with citizens and service users. There is a **Citizens Panel**, a **50 Plus Network** to consult older people, a **Youth Forum** and numerous specific consultation groups to seek the views of those with specified protected characteristics as recognised by the 2011 **Equality Act**. The Council also publishes all of its on-going consultations on the i-Local section of the Council website.

The Authority also makes extensive use of the annual **National Survey for Wales** commissioned by Welsh Government. The results are used to help the Authority in its self-assessment of services and are included in the Annual Report and Improvement Plan.

The Authority has been webcasting all Full Council meetings since May 2013 and Planning Committee since November 2014 and Executive Board meetings from September 2015.

The Authority undertakes extensive consultation on its Budget annually, which includes seminars, Insight events for young people, on-line surveys, social media, and stake holder meetings with Town and Community Councils, the Youth Council and Unions. The results of the consultations are considered and presented to Executive Board and County Council as part of the Budget Strategy Report.

#### 3.3.2.2 **Dealing with Complaints**

The Authority has a corporate **Customer Complaints & Compliments Procedure** and statistics and analysis of the complaints received are reported to each Scrutiny Committee and annually by the Standards Committee. The Complaints Procedure is in line with the Welsh Government's Model Concerns and Complaints Policy and was reviewed and revised in 2016/17.

The Authority has a centralised Complaints Team which ensures compliance with the requirements set out in our Procedure and consistency of approach across the whole Authority.

Bi-annual reports are provided to the Corporate Management Team and Scrutiny Committees with more detailed reports provided to departments when required in order to monitor trends, identify problem areas and generate service improvement based on customer experience.

The Authority investigated and responded to 731 complaints during 2016/17 compared to 501 during 2015/16. The Complaints Team also addressed a further 586 enquiries and requests for assistance.

#### 3.3.2.3 **Public Services Ombudsman for Wales**

The Public Services Ombudsman for Wales considers complaints from Members of the public in relation to Members' conduct and maladministration. His Report is published annually.

S.16 Ombudsman's Reports (i.e. Public interest reports) are reported to County Council as required by law.

### 3.3.2.4 Ensuring Effective External Communication

The Authority has a centralised Marketing and Media team who are committed to deliver effective communications with our residents by pro-actively engaging and promoting openness to protect and enhance the reputation of the Council. The marketing and media forward work programme will focus and help services engage with the right people, at the right time, in the preferred manner. This will be developed and agreed by Executive Board Members and DMTs.

The Authority has seen a clear increase in the use of Social Media and the Corporate Website as a way for our audience to communicate and engage with the Council. There are now some 5,064 followers on **Facebook**, (FB) 6,768 followers on **Twitter**. With an average post/tweet reaching 3,000 people on FB and 88,000 on Twitter. The **corporate website** receives on average 116,000 user sessions per month. Customer Services will introduce an appointment system and an outreach service to improve ensure openness and to ensure we communicate and support as many residents as possible.

Statistics: Average Website user sessions: Google analytics (May 2016 – 2017) | Average Post / tweet reach: | Facebook Insights (May 2016 – 2017) | Tweetreach (last 100 tweets, May 23rd 2017)

### 3.3.3 **Making a difference** - *Defining outcomes in terms of sustainable economic, social, and environmental benefits*

#### 3.3.3.1 Purpose and Vision

The Authority has a firm mechanism for acting with key partners within the Public Service Board, PSB (which was established in May 2016 from the former Carmarthenshire Local Service Board). The Integrated Community Strategy (ICS) was developed by the Carmarthenshire Local Service Board and sets out the vision and outcomes for the people of Carmarthenshire to be delivered by key organisations in the public and voluntary sectors. The Authority's strategic priorities and aspirations are aligned to the multi-agency county-wide outcomes identified through our **Integrated Community Strategy for Carmarthenshire 2011/16**. No one organisation alone can achieve these outcomes and it is recognised that each partner has a role to play in achieving these outcomes through collaboration.

In September 2015 we refreshed our Corporate Strategy for 2015-20. This Strategy set out the Council's strategic priorities and aspirations and how we plan to deliver our contribution to the Integrated Community Strategy.

All partners are expected to cascade their Integrated Community Strategy commitments into their own plans and this is the approach we take with our Corporate Strategy and the Annual Improvement Plan. We published a combined Annual Report and Improvement Plan to provide comprehensive and balanced information to the public about our services, so that they can see how we are performing and the challenges we are facing. The Council identifies its Key Improvement Objective Priorities (KIOP) each year after an analysis of data, regulatory findings and customer satisfaction data. These priorities (which are reviewed by the Wales Audit Office) are then cascaded down into Divisional Business Plans with targets and actions being monitored via the Performance Information Management System (PIMS). These are monitored by Managers, Corporate Management Team, Executive Board and Scrutiny Committees.

Our Annual Report 2014/15 and Improvement Plan 2015/16 received certificate of compliance from the Wales Audit Office and positive findings in the Wales Audit Office

Annual Improvement Report. We also produced a progress report on year one of the Corporate Strategy.

During 2016/17 we began to address our duties under the Well-being of Future Generations (Wales) Act 2015. As a Public Body we were required to publish our Well-being Objectives by 31<sup>st</sup> March 2017 and how we set these objectives was in accordance to the statutory guidance. We decided to amalgamate our KIOP's with our Wellbeing Objectives.

### 3.3.3.2 Well-being of Future Generations Act (Wales) 2015

This is a new Act introduced by the Welsh Government which will change aspects of how we work. The general purpose of the Act, is to ensure that the governance arrangements of public bodies for improving the well-being of Wales, take the needs of future generations into account. The Act is designed to improve the economic, social, environmental and cultural well-being of Wales, in accordance with sustainable development principles. The new law states that:-

- i. We must carry out sustainable development, improving the economic, social, environmental and cultural well-being of Wales. The sustainable development principle is: *'... the public body must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.'*
- ii. We must demonstrate 5 ways of working:
  - Long term
  - Integrated
  - Involving
  - Collaborative
  - Preventative
- iii. We must work towards achieving all of the 7 national well-being goals in the Act. Together they provide a shared vision for public bodies to work towards a:
  - prosperous Wales
  - resilient Wales
  - healthier Wales
  - more equal Wales
  - Wales of cohesive communities
  - Wales of vibrant culture and thriving Welsh Language
  - globally responsible Wales

As a public body we must publish our Well-being Objectives that maximise our contribution to these National Well-being Goals.

List of Carmarthenshire's Well-being Objectives 2017/18:

- Help to give every child the best start in life and improve their early life experiences
- Help children live healthy lifestyles (Childhood Obesity)
- Continue to Improve learner attainment for all



- Reduce the number of young adults that are Not in Education, Employment or Training (NEET)
- Tackle poverty by doing all we can to prevent it, helping people into work and improving the lives of those living in poverty
- Create more jobs and growth throughout the county
- Increase the availability of rented and affordable homes
- Help people live healthy lives (Tackling risky behaviour and Adult obesity)
- Support good connections with friends, family and safer communities
- Support the growing numbers of older people to maintain dignity and independence in their later years
- A Council wide approach to supporting Ageing Well in Carmarthenshire
- Look after the environment now and for the future
- Improve the highway and transport infrastructure and connectivity

We included our Statutory Well-being Statement when we published our Statutory Well-being Objectives on 1<sup>st</sup> April 2017. This sets out our governance arrangements to support our planned outcomes.

### **Well-being Statement**

- i. We feel that our Well-being Objectives contribute significantly to the achievement of the National Well-being Goals. Our Well-being Objectives relate to different aspects of life's course and address well-being in a systematic way.

Since 2002/03 we have fully aligned our business and Improvement Planning to the outcomes agreed with partners in an Integrated Community Strategy (ICS). We have taken a 'joined-up' approach to delivering these objectives bringing different services contributions together in an integrated way. This approach will be continued.

- ii. These Well-being Objectives have been selected from considerable consultation feedback and a basket of different sources of information on need, performance data and regulatory feedback. In developing action plans to achieve these objectives we will involve people (in all their diversity) with an interest in achieving them.
- iii. The steps we take to achieve the Well-being Objectives (our action plans) will look to ensure that long term, preventative, integrated, collaborative and involvement approaches are fully embraced.
- iv. An Executive Board member has a specific responsibility for the overall Act. In addition, each Executive Board portfolio holder will have responsibility to relevant Well-being Objectives/KIOP.
- v. To ensure that we take these action plan steps we will use our in house developed Performance Information Monitoring System dashboard. All the action plans will be monitored and reported on quarterly to department management teams and the Corporate Management Team and Executive Board. In addition progress will be reported to Scrutiny Committees. The Council will prepare an Annual report on its Well-being Objectives and revise the objectives if required.

- vi. The content of action plans to achieve the Well-being Objectives are adequately resourced and embedded in Service business plans (see financial breakdown Appendix 4). To achieve these objectives services will 'join-up' and work together, work with partners and fully involve citizens in all their diversity.
- vii. Our Objectives are long term but our action plans will include milestones that will enable monitoring and assurance of progress.
- viii. To ensure that our Well-being Objectives are deliverable and that the expectations of the Act are embraced we will adapt financial planning, asset management, risk assessment, performance management and scrutiny arrangements.

### **Where change needs to happen in Corporate Governance**

The Act identifies.....' *a core set of activities that are common to the corporate governance of public bodies (SPF1 Para 47). Applying the requirements of the Act to these activities is likely to most effectively secure the type of change required*'.

- |                                 |                       |
|---------------------------------|-----------------------|
| 1. Corporate & Service Planning | 2. Financial Planning |
| 3. Asset Management             | 4. Workforce Planning |
| 5. Procurement                  | 6. Risk Management    |
| 7. Performance Management       |                       |

### **3.3.3.3 Leader's Annual Report and Forward Work Programme**

The previous Leader was re-appointed at the AGM of the 24<sup>th</sup> May 2017.

The Leader of the Council delivered his Annual Report and Forward Work Programme at the Annual general Meeting of the County Council on the 18<sup>th</sup> May 2016. In his Report the Leader reminded the Council that during the year the Wales Audit Office had undertaken a Corporate Assessment of the Council and he was "proud" that the authority had been "highly praised for having a well-established vision that was driven forward by a strong collective leadership from both the Executive and Corporate Management Team". The report, he said " had stated that the Authority had a clear framework of well-aligned plans and strategies, agreed to with partners, which had been translated into priorities for action".

The Leader announced his Executive Board Members to Council at the AGM, and the new allocation of seats between the Plaid and Independent Coalition, being 7 Executive Board Seats for Plaid and 3 for the Independents, with the office of Deputy Leader being given to the Independent Group

### **3.3.4 Making sure we achieve what we set out to do - Determining the interventions necessary to optimise the achievement of the intended outcomes**

### **3.3.4.1 Managing Performance / Scrutiny Function**

The Authority's Elected Members are closely involved in managing performance, at both Executive Board and Scrutiny Committee level. Performance data often initiates in-depth studies by the Scrutiny Committees, usually via Task and Finish Groups, and these have contributed in a proactive way to policy development and service improvement on numerous occasions in recent years.

During 2016/17 the Council implemented a new procedure whereby Heads of Service were challenged by Executive Board Members on their Business Plans. This challenge programme was repeated in May/June 2016. Following Local Government elections in May 2017 a new programme of Executive Board Member challenge will take place on 2017/18 Service business plans.

The Wales Audit Office (WAO) annually report to Full Council in relation to the effectiveness of the Authority.

The Authority's sophisticated system for Performance Management is well used by Officers and Members and is used as a 'real-time' tool (via the Dashboard facility) by the Corporate Management Team and Preliminary Executive Board for monitoring performance. Detailed information is extracted and used by the Authority's Scrutiny Committees and the data is used to identify specific topic areas where the Committees undertake more intensive studies to monitor performance and make policy recommendations. The Authority is a partner in the Public Services Board (PSB) and the Council's Policy and Resources Scrutiny Committee receives an Annual Performance Report from the incumbent Chair of the PSB.

In October 2016 we held a Seminar and workshop with Members to determine Well-being Objectives. In February 2017, to ensure that Scrutiny Committees could examine our Well-being Objective Plan, the first ever joint scrutiny of all Committees was held. The identified issues raised by the Committee were addressed before the plan was submitted to County Council.

### **3.3.5 Valuing our people; engaging, leading and supporting - *Developing capacity and the capability of leadership and individuals***

Following the local government elections in Wales in May 2017 Carmarthenshire County Council has 30 new county councillors, and a comprehensive package of training, development and induction is being provided to them and returning members.

#### **3.3.5.1 Democratic Services Committees**

This is a statutory Committee with terms of reference which include promoting and supporting good governance. An important aspect of that aim is secured by the provision of reasonable training and development opportunities for Members and the appointment of the Chair of the Committee as the Member Development Champion.

#### **3.3.5.2 Managing our Workforce**

Carmarthenshire County Council has some 7,900 employees who each contribute to the achievement of our Corporate Priorities.

Our staff are supported by the People Management Division who maintain a range of Policies and Procedures to ensure that all staff are managed in a fair and consistent way. Key Policies and Procedures include:

- Health & Safety Policy
- Staff Recruitment and Selection Policy including safe recruitment
- Induction Procedure
- Whistleblowing Policy
- Grievance and Disciplinary Policies
- Officers' Code of Conduct
- Restructuring Policy
- People Strategy
- Pay Policy
- Agile Working Policy

Our Staff are encouraged to develop and this is consistent with our objectives as an organisation that has been accredited with ***Investors in People***. The development of our workforce is underpinned by the following:

- Appraisal Process
- Learning and Development Strategy
- Encouraging Continuous Professional Development (CPD)
- Effective Workforce Planning
- People Strategy

Following the implementation of the Single Status Agreement in 2011/12, a small officer group continues to maintain an overview of the management of change, the NJC pay and grading structure and offers advice to managers regarding reward generally. This group aims to ensure that the integrity of the pay, benefits and grading structure is maintained.

In addition, the Council publishes a Pay Policy by April each year, as required under Section 38 of the Localism Act. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (excluding those working in local authority schools). The Pay Policy is agreed by Full Council and is published on the Authority's website.

The Authority conducts annual equal pay audits, the most recent of which does not suggest any evidence of discrimination within the pay structures nor the allowances paid. The pay gaps are generally as a result of segregation of the sexes between job types rather than application of the allowances.

The Authority seeks to maximise agile working opportunities to support our Strategic objectives by:

- **Modernising service delivery:** using new technology to deliver services provides possibilities for streamlining processes and being closer to our customers.
- **Recruitment and Retention:** Different working practices will help us to recruit, and retain our valued employees.
- **Accommodation strategy:** agile working will help to reduce accommodation needs and make more effective use of buildings.

- **Flexible working agenda:** agile working will support the wider work-life balance agenda, supporting a more inclusive workforce.
- **Environmental:** agile working can lead to fewer car journeys, reduced congestion at peak times and reduced pollution.

The above points represent the strategic principles that underpin our Agile Working Policy.

Our Whistleblowing Policy is there to protect our Employees if they find that they need to report a serious concern about a service the council provides or the conduct of another Employee, councillor or other individual acting for the Council. The Authority takes Whistleblowing very seriously, and has developed and rolled out a very comprehensive E-Learning module that sits on the 'Learning Curve' section of our recently revised INTRANET. Awareness raising of the policy itself is done via the intranet, Department newsletters, posters, all staff emails and we also produce a short guide which is available to those employees not on email. Whistleblowing officers have received refresher training to re-inforce their role of being the initial point of contact for managing concerns. HR Advisors, legal advisors and whistleblowing officers have received external training to strengthen the links between other HR policies and whistleblowing.

### 3.3.5.3 Scheme of Delegation to Officers

The Scheme of Delegation itemises the decisions which are delegated to officers, whether by the Council or by the Executive Board. In exercising delegated powers Officers must comply with any statutory requirements and the Council's Policy and Budget Framework, amongst other requirements. Any significant decisions have to be recorded and be made available to the relevant Scrutiny Committee upon request. Executive decisions by officers are now published

### 3.3.6 **Managing risks, performance and finance** - *Managing risks and performance through robust internal control and strong public financial management*

#### 3.3.6.1 Risk Management

The Authority has a well-developed approach to managing risk and the ***Risk Management and Business Continuity Strategy 2012/15*** was approved by Audit Committee in March 2012. The Authority has a Risk Management Steering Group which reports directly to Executive Board, Audit Committee and Chief Officers' Management Team (CMT). The Risk Management Steering Group comprises an Executive Board Member Risk Champion (Executive Board Member for Resources), Departmental Risk Champions and is chaired by the Head of Audit, Risk & Procurement.

The Authority aims to embed good risk management into all its processes including a specific section in Committee Reports for the implications from a Risk Management perspective to be discussed and explained.

Corporate, Service and Project Risks are captured within a Risk Register. We use "***Web Based Risk Register Software***", which allows Departments to input, access, maintain and manage Service and Project Risks

### 3.3.6.2 Risk Management Steering Group

The Risk Management Steering Group has been seen as a very good example of how Risk Management can be developed and ensure that Risk Management is embedded in decision making throughout the organisation. The Group meet quarterly and is supported by the work of its Sub Groups i.e. Property & Liability Risks, Motor Fleet Risks and Business Continuity Sub Groups.

### 3.3.6.3 Scrutiny Committees

The Scrutiny Function plays a highly valuable role in ensuring performance improvement and challenge. The role of Scrutiny in "Task and Finish Groups" has clearly had a positive influence on policy development.

The Authority has a well-developed system of performance management. Scrutiny Committees receive a Quarter 1 and Quarter 3 report and an Annual Report on performance which includes an update on all Performance Indicators and Key Actions contained within the Improvement Plan.

All Scrutiny Committees have the constitutional power to call-in executive decisions, whether taken by the Executive Board collectively or by individual Executive Board Members on their own portfolio areas. In order to allow call in to be exercised no decision taken by the Executive Board or Executive Board Members shall take effect until 3 days after the decision is published and circulated via e-mail to Members of the relevant Scrutiny Committee.

In line with the Local Government Measure 2011, the respective Chairs of the Community Scrutiny Committee and Environment Scrutiny Committee are Members from the Opposition Group.

### 3.3.6.4 Financial Administration (Section 151 Officer)

The Director of Corporate Services is the responsible officer for the administration of the Authority's affairs under Section 151 of the Local Government Act 1972 and carries overall responsibility for the financial administration of the County Council.

The Chartered Institute of Public Finance and Accountancy (CIPFA) previously published a **"Statement on the Role of the Chief Financial Officer in Local Government"**. The Statement describes the role and responsibilities of the Chief Financial Officer (CFO) and sets out 5 Key Principles (see below) that define the core activities and behaviours that belong to the role of CFO in public service organisations and the organisational arrangements needed to support them. Carmarthenshire County Council through the appointment of the Director of Corporate Services fully complies with the Statement.

Principle 1 - The CFO in a Local Authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Authority's strategic objectives sustainably and in the public interest.

Principle 2 - The CFO in a Local Authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Authority's overall financial strategy.

Principle 3 - The CFO in a Local Authority must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

Principle 4 - The CFO in a Local Authority must lead and direct a finance function that is resourced to be fit for purpose.

Principle 5 - The CFO in a Local Authority must be professionally qualified and suitably experienced.

The Financial Services Division provides support to Departments and co-ordinates and supports the budget preparation and financial monitoring process.

The Authority operates to a defined set of Financial Procedure Rules and Contract Procedure Rules which are maintained by the Corporate Services Department with any amendments approved by the Audit Committee.

### **3.3.6.5 Dyfed Pension Fund Panel**

Carmarthenshire County Council is the statutorily appointed Administering Authority for the Dyfed Pension Fund. The Pension Fund Panel comprises three County Council Members plus a nominated substitute to act in the absence of a Member. The Pension Fund Panel has the following responsibilities:

- To review the performance of the Dyfed Pension Fund, decide on the strategic direction of all matters relating to the investment of the Fund and monitor all aspects of the investment function.
- To determine on Administering Authority Pension Fund matters.

During 2016-17 the Pension Fund Panel was supported by the Director of Corporate Services and Head of Financial Services, the Financial Services Division and an Independent Investment Adviser. The Director of Corporate Services was the Section 151 Officer.

The Fund's Governance Policy sets out in detail the Governance arrangements of the Fund.

The Local Pensions Board established in 2015-16 under the Public Service Pension Act (PSPA) 2013 has an oversight or scrutiny role and is intended to assist the Administering Authority in securing compliance with regulations and requirements imposed by the Pensions Regulator and the Department for Communities and Local Government.

Following HM Government's approval of the Wales Investment Pool in November 2016, a Financial Conduct Authority regulated Third Party Pool Operator will be appointed in summer 2017 to manage the investments and the reduction of investment management expenses for all 8 Wales funds. An Inter Authority Agreement, the legal framework for establishing a Joint Governance Committee has been approved by all 8 administering authorities with a officer Working Group which will act as advisors to the JGC.

Carmarthenshire County Council has been selected as the Host Authority to provide administrative and secretarial support and implement decisions made by the Joint Governance Committee.

### 3.3.6.6 The City Deal

The City Deal will be governed by a Joint Committee arrangement composed of the Leaders of the local authorities of Carmarthenshire, Swansea (Chair), Neath Port Talbot and Pembrokeshire. CCC's Chief Executive is the lead Accountable Officer for the City Deal and the authority hosts the Regional Office function on behalf of the Joint Committee.

## 3.3.7 **Good transparency and accountability** - *Implementing good practices in transparency, reporting, and audit to deliver effective accountability*

### 3.3.7.1 Audit, Standards and Democratic Services Committees

The Audit Committee is a key component of Corporate Governance, providing a source of assurance about the Authority's arrangements for managing risk, maintaining an effective control environment and reporting on financial as well as non-financial performance.

The Standards Committee (which includes a majority of External Members) promotes high standards of conduct for Members as well as maintaining an overview of the Authority's processes for complaints handling and its Whistleblowing Procedure.

The Authority also has a Democratic Services Committee (5 Elected Members) and a statutory designated Head of Democratic Services. The Committee's terms of reference as set by the Authority include securing the provision of reasonable training and development opportunities for Members, appointing a Member Development Champion and promoting and supporting good governance.

### 3.3.7.2 Internal Audit

The review of the effectiveness of the system of Internal Control and Governance arrangements is informed by the work of the Internal Auditors on which the Authority gains assurance. Internal Audit are required to undertake their work in accordance with the standards as set out in the **Public Sector Internal Audit Standards (PSIAS)** established in 2013 are the agreed professional standards for Internal Audit in Local Government.

As required by the Standards, the Head of Internal Audit prepares an Annual report for consideration by the Audit Committee. The format of the Annual Report complies with the requirements of the Code of Practice.

For 2016/17 the overall opinion is that the Authority has an 'Adequate' control environment in operation. There are clear Governance arrangements with defined Management responsibilities and Committee Structures in place, Risk Management and the control framework is generally sound and operated reasonably consistently. The Authority has an established Constitution, has developed Policies and approved Financial Procedure Rules that provide advice and guidance to all staff and members. Sufficient assurance work has been carried out to form a reasonable conclusion on the adequacy and effectiveness of the Authority's internal control environment. Where weaknesses have been identified through reviews, Internal Audit have worked with management to agree appropriate corrective actions and a timescale for improvement.



The Authority maintains an effective Internal Audit function. The **Strategic and Annual Audit Plans** are approved by Audit Committee annually and regular reports are made to the Audit Committee throughout the year on progress and any significant weaknesses identified.

In addition to the planned work, the Internal Audit Unit undertakes fraud investigation and proactive fraud detection work.

### 3.3.7.3 External Audit (Wales Audit Office)

The Wales Audit Office as External Auditor to the Authority reviews and comments on the financial aspects of Corporate Governance which includes the legality of financial transactions, financial standing, systems of Internal Financial Control and standards of financial conduct and fraud and corruption

All reports are presented to relevant committees, and we also maintain a log of regulatory reports and recommendations.

### 3.3.7.4 Information Assets

The Council's Assistant Chief Executive – Regeneration & Policy acts as the Authority's **Senior Information Risk Owner**. A Corporate Information Governance Group meets regularly in order to safeguard and secure the authority's information. Minutes of these meetings are provided for consideration to the Corporate Management Team.

There are various safeguards in place to guard against the loss or release of personalised information. These include encryption of laptops, memory storage media and other devices. The Authority employs:

- an IT Security Officer who advises on data security and external advisers and consultants are employed from time to time to test and advise on the Authority's security arrangements.
- a Data Protection Officer who advises on legal compliance and ensures that policies and procedures are in place and are being adhered to.

These safeguards are subject to ongoing review and include a combination of technical solutions and training for staff involved in managing and handling sensitive data.

Work is ongoing around the role and responsibilities of Information Asset Owners (IAOs). During 2016/17 further training sessions were provided to third tier managers as IAO's to help them understand the importance of the assets for which they are responsible; to encourage responsible sharing of data where this will promote better service delivery; and to fully understand what is needed to ensure the integrity and security of data. The compilation of an Information Asset Register was also progressed in 2016/17 and will continue to be maintained and revised on an ongoing basis.

The authority's Data Protection Officer is currently working closely with ICT Services to assess and prepare for the introduction of the new General Data Protection Regulation (GDPR) which takes effect in May 2018.

### **3.3.7.5 Review of Effectiveness**

A review of the effectiveness of our Governance arrangements (including the system of Internal Control) is undertaken regularly by the Corporate Governance Group through its work.

The review of effectiveness is informed by managers within the Authority who have responsibility for the development and maintenance of the Governance environment, the Head of Internal Audit's Annual Report and also by comments made by the External Auditors (Wales Audit Office).

The effectiveness of the Governance framework draws on evidence and assurances from

- Council
- Leadership / Executive Board
- Executive Board Members
- Scheme of Delegation to Officers
- The Audit Committee / Scrutiny Committees / Risk Management Steering Group
- Standards Committee
- Internal Audit
- External Audit
- Public Services Ombudsman for Wales

### **3.3.7.6 Council**

The Council meets on a monthly basis and takes decisions on Council functions. Its Agendas are published at least 3 clear days in advance of meetings, and its meetings are open to the public (subject to exemptions). Its Minutes are published and are available to the Public.

The Wales Audit Office, Annual Improvement Report 2016-17, published June 2017 concluded that the Council is meeting its statutory requirements in relation to continuous improvement.

### **3.3.7.7 Leadership / Executive Board**

The Executive Board takes decisions on executive functions within the policy and budget framework set by the Council. The Agenda is published at least 3 clear days in advance of its meetings and meetings are held in public (subject to statutory exemptions). Its Minutes are published and its decisions are subject to call in by the relevant Scrutiny Committee (ref para 3.4.8 below)

In the post 2017 local government election Administration the allocation of seats between the two Coalition parties (Plaid and the Independents) has changed from the previous 5:5 allocation to 7 Plaid: 3 Independents.

As a result the Council's Full Forward Work programme is slightly delayed but will be published shortly.

The Authority meets with Town and Community Councils twice yearly in a formal Forum.

### 3.3.7.8 Executive Board Members

The Executive Board Members have decision making powers in relation to their own portfolio areas. Their decisions are published and are subject to call in by the relevant Scrutiny Committees (ref para 3.4.8 below). Portfolios have been amended following the 2017 elections. Local government elections were held in May 2017, following which the County Council will have to take a fresh decision on the appointment of a Leader and it may be that Portfolios will be revisited following that process.

### 3.3.7.9 Audit Committee

The Audit Committee meets throughout the year to provide independent assurance to the Authority in relation to the effectiveness of the Internal Control Environment and Risk Management Framework.

The Audit Committee are also responsible for approving the Authority's Statement of Accounts.

Under the **Local Government Wales Measure 2011** it is mandatory for Local Authorities to have an Audit Committee. The Measure provides that there must be an independent External Voting Member on the Audit Committee and following an external advertisement process a new External Voting Member was approved by County Council on 8<sup>th</sup> June 2016.

Job Profiles are in place for both the Chair of Audit Committee and the Members of Audit Committee. In line with the Local Government Measure 2011, the Chair of Audit Committee is a Member from the Opposition Group.

## 3.4 Governance issues to be addressed

The following additional Governance issues need to be considered and addressed during the next 12 months:

1. To ensure all agreed and valid Regulatory Recommendations and Proposals for Improvement are being actioned and monitored by departments. That a dashboard/PIMS function is developed to enable this.
2. **For 2016/17** - To publish an Annual Report on 2016/17 performance and our progress on year two of our Corporate Strategy **by 31<sup>st</sup> October 2017**.
3. **For 2017/18**
  - To publicise our Well-being Objectives
  - to publish our Action Plans on our Well-being Objectives for 2017/18 and monitor their implementation
  - to address the Corporate Governance expectations of the Well-being of Future Generations Act
  - during the year continue to adopt and strengthen the 5 ways of working
4. **For 2018/19 –**
  - Early on during 2017/18 ensure that Well-being Objectives and KIOP priorities shape budget setting
  - To ensure improved integration of Service and Financial Planning as agreed with WAO in the Financial Planning Report
  - Review and monitor employment safeguarding processes in relation to:
    - HR Record keeping in relation to safeguarding complaints and investigations relating to staff;
    - Provision of references for posts involved in regulated activity;
    - Pre-employment checks for posts involved in regulated activity.

- 
- Review Recruitment and Selection Policy to ensure compliance with employment legislation and support recruitment process review
  - Publish a Pay Policy by April 2018 in accordance with Section 38 of the Localism Act
  - To monitor and evaluate recommendations made by the People Performance Review Task and Finish Group

We propose over the coming year to take steps to address the above matters to further enhance our Governance arrangements. An Action Plan summarising the above Actions, Responsible Officers and Target Dates is attached in Appendix 2. We are satisfied that these steps will address the need for improvements and will monitor their implementation and operation as part of our next annual review.

### **Approval**

**Leader of Council**

**Dated: 19 September 2017**

**Chief Executive**

**Dated: 19 September 2017**

**APPENDIX 1**

<i>UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS</i>				
<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>	<b>STATUS</b>
AGS 2013/14 No. 5a	Review Financial Procedure Rules and ensure Budget Managers are fully aware of their responsibilities	Head of Audit, Risk & Procurement  Head of Financial Services	Budget Manual, Grants Project Manual and Managing Capital Manual reviewed and updated version approved by Audit Committee (11 July & 26 September 2014)  Contract Procedure Rules approved by Audit Committee September 2016, with a further amendment approved March 2017.	Completed
AGS 2013/14 No. 5b	Review Financial Procedure Rules and ensure Budget Managers are fully aware of their responsibilities	Head of Audit, Risk & Procurement	Financial Procedure Rules to be updated approved by Audit Committee	Ongoing
AGS 2014/15 No. 1	Working with the new Administration to develop a 5 Year Forward Work Programme and priorities for the Council	Assistant Chief Executive (Regeneration and Policy)	As there are Council elections in 2017 Cllr Dole as Leader presented a 12 month forward work programme in May 2016	Completed (Key Issue for new Council in 2017)
AGS 2014/15 No. 2	Responding to the Corporate Assessment to be undertaken by Wales Audit Office during 2015/16	Assistant Chief Executive (Regeneration and Policy)	Action plan has been produced and approved by Executive Board May 2016.	Completed
AGS 2014/15 No. 6	Responding to the new EU General Data Protection Regulation (GDPR) (as a replacement to the Data Protection Act 1998)	Assistant Chief Executive (Regeneration and Policy)	No guidance had come through during 15/16 to address the new legislation which was delayed and only became live on May 26 <sup>th</sup> 2016	Ongoing

<i>UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS</i>				
<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>	<b>STATUS</b>
AGS 2014/15 No. 8	Monitor progress with implementing improvements in the management of Supporting People Grant	Head of Housing & Public Protection	Monitoring in place through quarterly reporting to the Audit Committee. Progress has been positive and changes have been implemented. Audit Committee now have requested 6 monthly reports	Ongoing
AGS 2015/16 No. 1	Respond to the new Well Being of Future Generations Act and develop effective working relationships to work in collaboration with PSB Partners	Assistant Chief Executive (Regeneration and Policy)	Public Services Board established in May 2016. Work on ensuring the Authority's compliance with the new Act will continue	Ongoing
AGS 2015/16 No. 2	Monitor compliance with Welsh Language Standards.	Assistant Chief Executive (Regeneration and Policy)	New standards introduced across the Authority. Monitoring of compliance will be on-going.	Ongoing
AGS 2015/16 No. 3	To ensure an Action Plan relating to proposals for improvement raised in the Corporate Assessment 2015/16 is completed and monitored	Assistant Chief Executive (Regeneration and Policy)	A 25 point Action Plan was agreed and incorporated in our 2016/17 ARIP and this was monitored throughout the year. This Action Plan featured on the CMT and PEB dashboard.  The WAO Annual Improvement Report for 2016/17 includes a follow up to the Corporate Assessment.	Ongoing In parts
AGS 2015/16 No. 4	Develop Members Training Programme to ensure that suitable arrangements are in place for May 2017. Training to be delivered through to October 2017.	Head of Administration and Law		Completed

<i>UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS</i>				
<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>	<b>STATUS</b>
AGS 2015/16 No. 5	Review governance arrangements for Partnership agreements and Regional working.	Assistant Chief Executive (Regeneration and Policy)		Completed
AGS 2015/16 No. 6	Develop effective relationships with the new Police Commissioner, Welsh Government Assembly Members and Town & Community Councils to ensure maximum co-operation	Assistant Chief Executive (Regeneration and Policy)	Relationships well-established with on-going commitment to further develop	Completed
AGS 2015/16 No. 7	Assess and monitor the impact of the Partnership City Deal on the Authority	Assistant Chief Executive (Regeneration and Policy)	The Swansea Bay City Deal was signed off by Welsh and UK Governments on the 20 <sup>th</sup> March 2017. Carmarthenshire County Council will host the Regional Office and accountable body lead role. Joint Committee Agreement is currently being drafted.	Ongoing
AGS 2015/16 No. 8	Develop and maintain an Information Asset Register	Assistant Chief Executive (Regeneration and Policy)	Register established and work on reviewing, updating and ensuring entries are correct will be an ongoing process in future	Completed
AGS 2015/16 No. 9	Develop a new Risk & Business Continuity Strategy	Head of Audit, Risk and Procurement	Currently being drafted	Ongoing
AGS 2015/16 No. 10	Review the WAO Grant Certification Report 2014/15 issued by WAO in May 2016 and implement any agreed actions	Interim Head of Financial Services	All actions reviewed and followed up with departments	Completed

**APPENDIX 2**

<b>GOVERNANCE ISSUES ACTION PLAN</b>			
	<b>NEW GOVERNANCE ISSUES IDENTIFIED IN THIS YEAR'S ANNUAL GOVERNANCE STATEMENT</b>		
<b>ISSUE REF</b>	<b>ACTION</b>	<b>RESPONSIBLE OFFICER</b>	<b>TARGET DATE</b>
AGS 2016/17 No. 1	To ensure all agreed and valid Regulatory Recommendations and Proposals for Improvement are being actioned and monitored by departments. That a dashboard/PIMS function is developed to enable this.	Director of Regeneration and Policy	31 March 2018
AGS 2016/17 No.2	<b>For 2016/17</b> - To publish an Annual Report on 2016/17 performance and our progress on year two of our Corporate Strategy.	Director of Regeneration and Policy	31 October 2017
AGS 2016/17 No.3	<b>For 2017/18</b> <ul style="list-style-type: none"> <li>• To publicise our Well-being Objectives</li> <li>• to publish our Action Plans on our Well-being Objectives for 2017/18 and monitor their implementation</li> <li>• to address the Corporate Governance expectations of the Well-being of Future Generations Act</li> <li>• during the year continue to adopt and strengthen the 5 ways of working</li> </ul>	Director of Regeneration and Policy	March 2018
AGS 2016/17 No.4	Early on during 2017/18 ensure that Well-being Objectives and KIOP priorities shape budget setting	Director of Regeneration and Policy and Director of Corporate Services	December 2017
AGS 2016/17 No.5	To ensure improved integration of Service and Financial Planning as agreed with WAO in the Financial Planning Report	Head of Financial Services	December 2017



### GOVERNANCE ISSUES ACTION PLAN

NEW GOVERNANCE ISSUES IDENTIFIED IN THIS YEAR'S ANNUAL GOVERNANCE STATEMENT			
ISSUE REF	ACTION	RESPONSIBLE OFFICER	TARGET DATE
AGS 2016/17 No.6	Review and monitor employment safeguarding processes in relation to: <ul style="list-style-type: none"> <li>• HR Record keeping in relation to safeguarding complaints and investigations relating to staff;</li> <li>• Provision of references for posts involved in regulated activity;</li> <li>• Pre employment checks for posts involved in regulated activity.</li> </ul>	Director of Communities	March 2018
AGS 2016/17 No.7	Review Recruitment and Selection Policy to ensure compliance with employment legislation and support recruitment process review	People Services Manager	March 2018
AGS 2016/17 No.8	Publish a Pay Policy by April 2018 in accordance with Section 38 of the Localism Act	Assistant Chief Executive (People Management)	March 2018
AGS 2016/17 No.9	To monitor and evaluate recommendations made by the People Performance Review Task and Finish Group	Director of Regeneration and Policy	March 2018

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

I have audited the accounting statements and related notes of:

- Carmarthenshire County Council; and
- Dyfed Pension Fund

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

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

Dyfed Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the responsible financial officer is responsible for the preparation of the statement of accounts, including Dyfed Pension Fund's accounting statements, which gives a true and fair view.

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

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

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

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

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Carmarthenshire County Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

**Opinion on the accounting statements of Dyfed Pension Fund**

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Dyfed Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

**Opinion on other matters**

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

**Matters on which I report by exception**

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

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

**Certificate of completion of audit**

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

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

**Date: 29 September 2017**

"The maintenance and integrity of Carmarthenshire County Council's website is their responsibility; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website."

## **5 FINANCIAL STATEMENTS**

The financial statements comprise of the following:

### **5.1 EXPENDITURE AND FUNDING ANALYSIS (EFA)**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents and council tax) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure statement.

### **5.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)**

This statement shows the accounting 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 to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

### **5.3 MOVEMENT IN RESERVES STATEMENT**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the accounts to the amounts chargeable to council tax and dwelling rents for the year. The Net Increase/Decrease line shows the statutory Council Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

### **5.4 BALANCE SHEET**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is that which the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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## 5.5 CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority 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 outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

**5.1 EXPENDITURE AND FUNDING ANALYSIS (EFA)****2016-17****Difference between Council Fund (CF) and Housing Revenue Account (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (CIES) (Surplus)/Deficit**

	<b>Net Expenditure Chargeable to the CF and HRA £'000</b>	<b>Total Adjustments £'000</b>	<b>Net Expenditure in the CIES £'000</b>
<b>Department</b>			
Chief Executive	8,937	812	9,749
Education & Children	146,143	19,783	165,926
Corporate Services	19,181	(192)	18,989
Communities	86,242	7,706	93,948
Environment	41,637	9,361	50,998
Housing Revenue Account	(18,973)	14,964	(4,009)
Insurance & Corporate	2,369	(3,345)	(976)
<b>Net Cost of Services</b>	<b>285,536</b>	<b>49,089</b>	<b>334,625</b>
Other Income & Expenditure	(296,987)	(15,478)	(312,465)
<b>(Surplus)/Deficit before transfers to/(from) earmarked reserves</b>	<b>(11,451)</b>	<b>33,611</b>	<b>22,160</b>
Transfers to/(from) earmarked reserves	6,035		
<b>(Surplus)/Deficit after transfers to/(from) earmarked reserves</b>	<b>(5,416)</b>		
CF & HRA Balance at 31st March 2016:	(17,899)		
(Surplus)/Deficit	(5,416)		
CF & HRA Balance at 31st March 2017:	<b>(23,315)</b>		

**2015-16**

<b>Department</b>			
Chief Executive	9,423	2,155	11,578
Education & Children	144,754	15,956	160,710
Corporate Services	20,088	1,991	22,079
Communities	84,831	5,955	90,786
Environment	40,940	8,172	49,112
Housing Revenue Account	(11,035)	216,314	205,279
Insurance & Corporate	12,623	(10,029)	2,594
<b>Net Cost of Services</b>	<b>301,624</b>	<b>240,514</b>	<b>542,138</b>
Other Income & Expenditure	(293,970)	(29,113)	(323,083)
<b>(Surplus)/Deficit before transfers to/(from) earmarked reserves</b>	<b>7,654</b>	<b>211,401</b>	<b>219,055</b>
Transfers to/(from) earmarked reserves	(6,391)		
<b>(Surplus)/Deficit after transfers to/(from) earmarked reserves</b>	<b>1,263</b>		
CF & HRA Balance at 31st March 2015:	(19,162)		
(Surplus)/Deficit	1,263		
CF & HRA Balance at 31st March 2016:	<b>(17,899)</b>		

See note 6.5 for Explanation of adjustments between Net expenditure chargeable to the CF and HRA and Net expenditure in the CIES.

**5.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)**

2015-16 Total Gross Expenditure £'000	2015-16 Total Gross Income £'000	2015-16 Total Net Expenditure £'000		2016-17 Total Gross Expenditure £'000	2016-17 Total Gross Income £'000	2016-17 Total Net Expenditure £'000
37,398	(25,820)	11,578	<b>Department</b>			
222,662	(61,952)	160,710	Chief Executive	27,253	(17,504)	9,749
90,858	(68,779)	22,079	Education and Children	228,125	(62,199)	165,926
149,272	(58,486)	90,786	Corporate Services	88,204	(69,215)	18,989
102,479	(53,367)	49,112	Communities	150,620	(56,672)	93,948
242,523	(37,244)	205,279	Environment	108,557	(57,559)	50,998
2,697	(103)	2,594	Housing Revenue Account	34,252	(38,261)	(4,009)
			Insurance & Corporate	(964)	(12)	(976)
<b>847,889</b>	<b>(305,751)</b>	<b>542,138</b>	<b>Net Cost of Services</b>	<b>636,047</b>	<b>(301,422)</b>	<b>334,625</b>
			Precepts and Levies:			
		147	Brecon Beacons National Park			138
		9,067	Mid & West Wales Fire Authority			9,172
		5,017	Community Councils			5,283
		14,080	Dyfed Powys Police Authority			14,191
		146	(Gains)/losses on the disposal of non-current assets			2,268
		(533)	(Surpluses)/Deficits on Trading Activities not included in Net Cost of Services		Note 6.6	(369)
		<b>27,924</b>	<b>Other Operating Expenditure</b>			<b>30,683</b>
		17,639	Interest Payable and Similar Charges			17,636
		9,185	Net interest on the net defined benefit liability (asset)			9,687
		(450)	Interest and Investment Income			(386)
		1,149	Income and expenditure in relation to investment properties and changes in their fair value		Note 6.11	333
		<b>27,523</b>	<b>Financing and Investment Income and Expenditure</b>			<b>27,270</b>
		(199,071)	Revenue Support Grant		Note 6.39	(195,966)
		(565)	General Government Grants		Note 6.39	0
		(96,297)	Council Tax		Note 6.7	(100,023)
		(53,410)	Net Proceeds of Non-Domestic Rates		Note 6.8	(55,720)
		(29,187)	Capital Grants and Contributions		Note 6.39	(18,709)
		<b>(378,530)</b>	<b>Taxation and Non-specific Grant Income</b>			<b>(370,418)</b>
		<b>219,055</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>22,160</b>
		(21,274)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(9,150)
		(28,472)	Actuarial (gains)/losses on pension assets/liabilities			83,368
		<b>(49,746)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>74,218</b>
		<b>169,309</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>96,378</b>

**5.3 MOVEMENT IN RESERVES STATEMENT**

	Council Fund Balance £'000	Earmarked Council Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	TOTAL USABLE RESERVES £'000	Unusable Reserves £'000	TOTAL AUTHORITY RESERVES £'000
<b>Balance at 31 March 2015</b>	<b>(8,500)</b>	<b>(76,199)</b>	<b>(10,662)</b>	<b>(26,512)</b>	<b>0</b>	<b>(1,275)</b>	<b>(123,148)</b>	<b>(773,744)</b>	<b>(896,892)</b>
<b>Movement in reserves during 2015/16</b>									
Surplus or (deficit) on the provision of services	10,139	0	208,916	0	0	0	219,055	0	219,055
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(49,746)	(49,746)
<b>Total Comprehensive Income and Expenditure</b>	<b>10,139</b>	<b>0</b>	<b>208,916</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>219,055</b>	<b>(49,746)</b>	<b>169,309</b>
Adjustments between accounting basis and funding basis under regulations(Note 6.4)	(3,987)	0	(207,414)	7,879	0	412	(203,110)	203,110	0
<b>Net (Increase)/Decrease before Transfers to/from Earmarked Reserves</b>	<b>6,152</b>	<b>0</b>	<b>1,502</b>	<b>7,879</b>	<b>0</b>	<b>412</b>	<b>15,945</b>	<b>153,364</b>	<b>169,309</b>
Transfers to/(from) Earmarked Reserves(Note 6.23)	(6,431)	6,391	40	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>(279)</b>	<b>6,391</b>	<b>1,542</b>	<b>7,879</b>	<b>0</b>	<b>412</b>	<b>15,945</b>	<b>153,364</b>	<b>169,309</b>
<b>Balance at 31 March 2016</b>	<b>(8,779)</b>	<b>(69,808)</b>	<b>(9,120)</b>	<b>(18,633)</b>	<b>0</b>	<b>(863)</b>	<b>(107,203)</b>	<b>(620,380)</b>	<b>(727,583)</b>
<b>Movement in reserves during 2016/17</b>									
Surplus or (deficit) on the provision of services	22,520	0	(360)	0	0	0	22,160	0	22,160
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	74,218	74,218
<b>Total Comprehensive Income and Expenditure</b>	<b>22,520</b>	<b>0</b>	<b>(360)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,160</b>	<b>74,218</b>	<b>96,378</b>
Adjustments between accounting basis and funding basis under regulations(Note 6.4)	(28,786)	0	(4,825)	3,658	0	272	(29,681)	29,681	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(6,266)</b>	<b>0</b>	<b>(5,185)</b>	<b>3,658</b>	<b>0</b>	<b>272</b>	<b>(7,521)</b>	<b>103,899</b>	<b>96,378</b>
Transfers to/(from) Earmarked Reserves(Note 6.23)	5,741	(6,035)	294	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>(525)</b>	<b>(6,035)</b>	<b>(4,891)</b>	<b>3,658</b>	<b>0</b>	<b>272</b>	<b>(7,521)</b>	<b>103,899</b>	<b>96,378</b>
<b>Balance at 31 March 2017</b>	<b>(9,304)</b>	<b>(75,843)</b>	<b>(14,011)</b>	<b>(14,975)</b>	<b>0</b>	<b>(591)</b>	<b>(114,724)</b>	<b>(516,481)</b>	<b>(631,205)</b>



**5.4 BALANCE SHEET**

31/03/16 £'000			£'000	31/03/17 £'000
		<b>Notes</b>		
1,310,097	Property, Plant & Equipment	6.9	1,321,435	
2,246	Heritage Assets	6.10	2,246	
22,927	Investment Property	6.11	25,290	
1,110	Long Term Investments	6.12	1,961	
7,148	Long Term Debtors	6.13	6,128	
<u>1,343,528</u>	<b>Long Term Assets</b>			<u>1,357,060</u>
8,038	Short Term Investments	6.14	22,155	
410	Assets Held for Sale	6.15	0	
1,006	Inventories	6.16	977	
46,370	Short Term Debtors	6.17	50,794	
34,851	Cash and Cash Equivalents	6.18	16,022	
<u>90,675</u>	<b>Current Assets</b>			<u>89,948</u>
(9,013)	Short Term Borrowing	6.19	(13,203)	
(55,541)	Short Term Creditors	6.20	(57,723)	
(3,601)	Provisions	6.21	(1,755)	
<u>(68,155)</u>	<b>Current Liabilities</b>			<u>(72,681)</u>
(3,526)	Provisions	6.21	(3,757)	
(370,425)	Long Term Borrowing	6.22	(378,071)	
(264,514)	Other Long Term Liabilities	6.45	(361,294)	
<u>(638,465)</u>	<b>Long Term Liabilities</b>			<u>(743,122)</u>
<u><b>727,583</b></u>	<b>Net Assets</b>			<u><b>631,205</b></u>
8,779	Council Fund		9,304	
9,120	Housing Revenue Account	7.2	14,011	
66,131	Earmarked Council Fund Reserves	6.23	74,133	
3,677	Council Fund Reserves Held by Schools under LMS	6.23	1,710	
0	Major Repairs Reserve	6.23	0	
18,633	Capital Receipts Reserve	6.24	14,975	
863	Capital Grants Unapplied	6.25	591	
<u>107,203</u>	<b>Usable Reserves</b>			<u>114,724</u>
333,733	Revaluation Reserve	6.26	331,384	
555,560	Capital Adjustment Account	6.27	552,106	
(986)	Financial Instruments Adjustment Account	6.28	(884)	
342	Deferred Capital Receipts Reserve	6.29	336	
(264,514)	Pensions Reserve	6.30	(361,294)	
(3,755)	Accumulated Absences Account	6.31	(5,167)	
<u>620,380</u>	<b>Unusable Reserves</b>			<u>516,481</u>
<u><b>727,583</b></u>	<b>Total Reserves</b>			<u><b>631,205</b></u>

**5.5 CASH FLOW STATEMENT**

<b>2015-16</b>		<b>Note</b>	<b>2016-17</b>
<b>£'000</b>			<b>£'000</b>
123,679	Taxation		130,179
336,657	Grants		343,073
13,615	Rents		14,468
330	Interest received		188
83,684	Other receipts from operating activities		93,378
<b>557,965</b>	<b>Cash inflows generated from operating activities</b>		<b>581,286</b>
(207,905)	Cash paid to and on behalf of employees		(202,567)
(28,414)	Housing benefit paid out		(28,241)
(47,250)	NNDR payments to national pool		(48,002)
(19,097)	Precepts paid		(19,474)
(16,774)	Interest paid		(17,737)
(209,381)	Other payments for operating activities		(238,461)
<b>(528,821)</b>	<b>Cash outflows generated from operating activities</b>		<b>(554,482)</b>
<b>29,144</b>	<b>Net cash flows from operating activities</b>	6.49	<b>26,804</b>
	Purchase of property, plant & equipment, investment property and intangible assets		(56,004)
(63,694)			(317,400)
(152,700)	Purchase of short term and long term investments		(9,850)
(99,945)	Other payments for investing activities		
	Proceeds from Sale of property, plant & equipment, investment property and intangible assets		2,998
2,295			303,333
171,762	Proceeds of short term and long term investments		21,922
41,783	Other receipts from investing activities		
<b>(100,499)</b>	<b>Net cash flows from investing activities</b>		<b>(55,001)</b>
101,461	Cash receipts of short and long term borrowing		17,657
(5,262)	Repayments of short term and long term borrowing		(5,727)
(1,260)	Other payments for financing activities		(2,562)
<b>94,939</b>	<b>Net cash flows from financing activities</b>		<b>9,368</b>
<b>23,584</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(18,829)</b>
11,267	Cash and cash equivalents at the beginning of the reporting period		34,851
<b>34,851</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	6.18	<b>16,022</b>

## 6 NOTES TO THE ACCOUNTS

### 6.1 Statement of Accounting Policies

#### General

The Statement of Accounts summarises the transactions of Carmarthenshire County Council and of the Dyfed Pension Fund for the 2016-17 financial year and their position at the year ended 31 March 2017.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Areas within the accounts that do not comply with the above publication have been suitably noted where necessary.

#### 6.1.1 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivables on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- An exception to this principle is when certain revenue payments are made quarterly (e.g. electricity, gas) where the revenue accounts are charged with four payments. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

### 6.1.2 **Property, Plant & Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**Recognition:** Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

**Measurement:** Assets are initially measured at cost, comprising the purchase price and/or any expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Assets are then carried in the Balance Sheet on the basis recommended by CIPFA and in accordance with The Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards. Assets are classified into the groupings required by the Code of Practice on Local Authority Accounting on the following basis:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value

With the exception of infrastructure and community assets, revaluations of fixed assets are carried out on the basis of a five-year rolling programme with any material change to asset values being adjusted in the accounts in the year it arises.

The historic timetable of assets revaluations is given below:

Corporate Assets	2012-13
Chief Executives, Regeneration	2013-14
Schools	2014-15
Housing Stock & Depreciated	
Replacement Costs valued assets	2015-16
Social Care, Leisure, Environment	2016-17

Assets acquired under finance leases are capitalised in the Authority's accounts, together with the liability to pay future rentals.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

### **Impairment:**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Disposals and Assets Held for Sale**

When it becomes highly probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated

for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve. These can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – either a straight-line allocation over the useful life of the asset or as a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Component Accounting**

Component accounting is used when a single asset has one or more constituent parts with a significantly different economic life to the main asset. Components within the main asset would therefore be depreciated at different rates.

In order to determine whether there is a material difference in the depreciation charge, the Authority carries out a sensitivity analysis on its largest capital projects. A charge is calculated based on the asset as a whole compared to a charge based on the component parts. The component based charge will be used if there is a material difference between the two calculations.

### 6.1.3 **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 6.1.4 **Heritage Assets**

There are different types of Heritage Assets which have been accounted for as follows.

- **Former Community Assets**

Those heritage assets which were formerly included within community assets have been transferred to the new Heritage Assets category. They are recorded at historic cost and include Carmarthen Castle, civic regalia and works of art.

- **Infrastructure Artwork**

These assets were previously included as infrastructure and were either part of a larger capital project or standalone artworks on roundabouts or in town centres. As former infrastructure assets they are recorded at historic cost.

- **Museum Exhibits/Archive Records**

The Authority holds a large collection museum exhibits and archive material which have not been included in the Balance Sheet. Cost information is not readily available for these items and the Authority believes that the benefits of obtaining a valuation for these items would not justify the cost.

### 6.1.5 **Intangible Assets**

These are assets that do not have a physical substance but will provide future economic benefits to the Authority such as software licences or internally generated assets which have been capitalised.

The Authority does not currently hold any intangible assets. Enhancements are categorised each year and any intangible assets would be identified as part of this annual exercise.

**6.1.6 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the Council Fund balance (MRP or Loans Fund Principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**6.1.7 Revenue Expenditure Funded from Capital under Statute (REFFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement account in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the Council Fund Balance so there is no impact on the level of Council Tax.

**6.1.8 Cash and Cash Equivalents**

Cash Equivalents are investments that are readily convertible to known amounts of cash with no change in value. Cash is withdrawn and deposited depending on a deficit or surplus of cash on the day. All call accounts are classified for this purpose. Cash Equivalents also includes fixed term investments that mature within three months or less from the date of acquisition.

**6.1.9 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.



Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### 6.1.10 **Leasing**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

A review of all leases held by the Authority (both as Lessee and Lessor) has been undertaken. All leases are currently treated as operating leases. A few small leases have been identified that could potentially be reclassified as finance leases. These relate to equipment and are insignificant both in terms of value and term length. The reclassification adjustments would not materially affect the Authority's financial position, or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Authority.

##### **The Authority as Lessee – operating leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

##### **The Authority as Lessor – operating leases**

Where the Authority grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the appropriate service in the Comprehensive Income and Expenditure statement.

#### 6.1.11 **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and

interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is 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 is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### 6.1.12 **Financial Assets**

##### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where the Authority has made loans at less than market rates (soft loans), any material loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the Council Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### 6.1.13 **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### 6.1.14 **Cost of Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2016/17* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

#### 6.1.15 **Provisions**

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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 on 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 set up 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 revenue account.

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

#### 6.1.16 **Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund

Balance in the Movement in Reserves statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

#### 6.1.17 **Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

##### **Post Employment Benefits**

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Carmarthenshire County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Authority. The scheme is therefore

accounted for as if it were a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet and the Education and Children's Services Line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year.

### **The Dyfed Pension Fund**

The Fund is accounted for as a defined benefit scheme.

The liabilities of the Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality corporate bond [AA Corporate Bond]).

The assets of the Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – bid price value
- unquoted securities – professional estimate
- unitised securities – bid price value
- property – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Fund – cash paid as employer's contributions to the fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Fund.

#### **6.1.18 Interests in Companies and other Entities**

The Council has material interests in CWM Environmental that has the nature of a subsidiary that require the preparation of group accounts. Group Accounts have not been prepared, as the consolidation would not materially affect the Authority's financial position, or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Council.

Carmarthenshire County Council is the registered Custodian Trustee of Egni Sir Gar Cyfyngedig and has one board member on the board.

#### **6.1.19 Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

We have identified the following arrangement that could fall within the above definition for accounting purposes:-

- ERW - the regional education consortium for Mid and South West Wales

	<b>ERW</b>	
	<b>2016-2017</b>	
	<b>Total</b>	<b>CCC Share</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	201	42
Income	(271)	(57)
Surplus/Deficit for the year	(70)	(15)
Current Assets	0	0
Current Liabilities	542	113
Long Term Liabilities	(136)	(28)
Total assets less liabilities	406	85
Reserves	406	85
Total Financing	406	85

The above is not an exhaustive list – other potential arrangements include the Welsh Purchasing Consortium amongst others. For the purposes of the accounts no actual entries have been made for these arrangements other than the direct expenditure and income applicable to each scheme. The adjustments are not material and would not affect the Authority's financial position, or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Council.

#### 6.1.20 **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.

#### 6.1.21 **VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs, and all VAT paid is recoverable from them.

### 6.1.22 **Carbon Reduction Commitment Energy Efficiency Scheme**

The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

## 6.2 **Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 6.1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government, as well as uncertainty about the implications of the vote to leave the European Union. However, the Authority has a robust three year budget strategy with efficiency and service rationalisation proposals to deliver a balanced budget and has therefore determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £4m plus interest invested in Kaupthing, Singer and Friedlander (KSF) at that time. By the end of 2016-2017 £3.37m plus interest had been repaid by the administrators. See note 6.47.

Voluntary Controlled and Voluntary Aided schools are currently excluded from the Authority's balance sheet and have been since 2009-10 as although the Authority has liabilities and risks in terms of property costs such as repairs and maintenance, it does not own the schools nor does it have any rights to the future economic benefits inherent in the assets.



### 6.3 **Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £25.2m for 2016-17.</p> <p>The carrying amount of the net pensions liability at 31<sup>st</sup> March 2017 was £361m.</p> <p>However, the assumptions interact in complex ways. During 2016-17, the Authority's actuaries advised that the net pensions liability had decreased by £1.6m due to previous estimates being corrected as a result of actual experience and increased by £259.7m attributable to updating of the assumptions.</p>

**6.4 Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2016-17	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(30,304)	(11,185)	0	0	0	41,489
Revaluation losses on Property Plant and Equipment	(4,306)	(4,439)	0	0	0	8,745
Movements in the market value of Investment Properties	(752)	0	0	0	0	752
Capital grants and contributions applied	12,398	58	0	0	0	(12,456)
Revenue expenditure funded from capital under statute	(1,722)	(9)	0	0	0	1,731
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,987)	(139)	0	0	0	5,126
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	7,313	4,207	0	0	0	(11,520)
Capital expenditure charged against the Council Fund and HRA balances	5,038	782	0	0	0	(5,820)

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2016-17	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	82	0	0	0	(82)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	354	(354)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,740	118	(2,858)	0	0	0
Statutory Capital Receipts	48	0	(135)	0	0	87
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	6,644	0	0	(6,644)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	9	0	0	(9)
Capital Receipts Set Aside	0	0	4	0	0	(4)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(6)	0	0	6

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2016-17	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	6,170	0	(6,170)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,170	0	(6,170)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	154	(52)	0	0	0	(102)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.45)	(36,785)	(832)	0	0	0	37,617
Employer's pensions contributions and direct payments to pensioners payable in the year	23,703	502	0	0	0	(24,205)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,406)	(6)	0	0	0	1,412
<b>Total Adjustments</b>	<b>(28,786)</b>	<b>(4,825)</b>	<b>3,658</b>	<b>0</b>	<b>272</b>	<b>29,681</b>

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015-16	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(26,591)	(11,173)	0	0	0	37,764
Revaluation losses on Property Plant and Equipment	(1,657)	(134,490)	0	0	0	136,147
Movements in the market value of Investment Properties	(1,485)	0	0	0	0	1,485
Capital grants and contributions applied	22,430	291	0	0	0	(22,721)
Revenue expenditure funded from capital under statute	(4,105)	(78,991)	0	0	0	83,096
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,831)	(472)	0	0	0	2,303
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	10,217	2,684	0	0	0	(12,901)
Capital expenditure charged against the Council Fund and HRA balances	12,468	8,493	0	0	0	(20,961)

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015-16	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	300	0	0	0	(300)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	712	(712)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,699	458	(2,157)	0	0	0
Statutory Capital Receipts	53	0	(131)	0	0	78
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	10,027	0	0	(10,027)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	23	0	0	(23)
Capital Receipts Set Aside	0	0	123	0	0	(123)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(6)	0	0	6

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015-16	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	6,166	0	(6,166)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,166	0	(6,166)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(83)	(33)	0	0	0	116
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.45)	(40,454)	(794)	0	0	0	41,248
Employer's pensions contributions and direct payments to pensioners payable in the year	23,960	453	0	0	0	(24,413)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,092	(6)	0	0	0	(1,086)
<b>Total Adjustments</b>	<b>(3,987)</b>	<b>(207,414)</b>	<b>7,879</b>	<b>0</b>	<b>412</b>	<b>203,110</b>

**6.5 Note to the Expenditure and Funding Analysis****2016-17****Adjustments between Funding and Accounting Basis**

	<b>Adjustments for Capital Purposes £'000</b>	<b>Net Changes for Pensions Adjustments £'000</b>	<b>Other Differences £'000</b>	<b>Total Adjustments £'000</b>
<b>Department</b>				
Chief Executive	305	501	6	812
Education & Children	17,830	681	1,272	19,783
Corporate Services	232	(436)	12	(192)
Communities	6,042	1,624	40	7,706
Environment	8,530	796	35	9,361
Housing Revenue Account	14,851	107	6	14,964
Insurance & Corporate	(3,345)	0	0	(3,345)
<b>Net Cost of Services</b>	<b>44,445</b>	<b>3,273</b>	<b>1,371</b>	<b>49,089</b>
Other Income & Expenditure	(25,556)	10,140	(62)	(15,478)
<b>Difference between CF &amp; HRA (Surplus)/Deficit and CIES (Surplus)/Deficit on Provision of Services</b>	<b>18,889</b>	<b>13,413</b>	<b>1,309</b>	<b>33,611</b>

**2015-16**

<b>Department</b>				
Chief Executive	1,381	760	14	2,155
Education & Children	15,849	1,327	(1,220)	15,956
Corporate Services	537	1,436	18	1,991
Communities	3,583	2,308	64	5,955
Environment	7,050	1,079	43	8,172
Housing Revenue Account	216,162	146	6	216,314
Insurance & Corporate	(10,029)	0	0	(10,029)
<b>Net Cost of Services</b>	<b>234,533</b>	<b>7,056</b>	<b>(1,075)</b>	<b>240,514</b>
Other Income & Expenditure	(38,999)	9,779	107	(29,113)
<b>Difference between CF &amp; HRA (Surplus)/Deficit and CIES (Surplus)/Deficit on Provision of Services</b>	<b>195,534</b>	<b>16,835</b>	<b>(968)</b>	<b>211,401</b>

**Narrative Explanation****Adjustments for Capital Purposes**

**Service lines** - adds in depreciation, impairment and revaluation gains and losses and deducts direct revenue funding.

**Other Income and Expenditure includes the following:**

Other Operating Expenditure - Adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. Adds/deducts charges to trading operations not included in service lines.

Financing and Investment income and expenditure – deducts the statutory charges for capital financing (MRP) 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. There are credits for capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### **Net Change for Pensions Adjustments**

**Service lines** – employer contributions made by the Authority are removed as allowed by statute and replaced with current service costs and past service costs.

#### **Other Income and Expenditure includes the following:**

Financing and Investment Income – the net interest on the defined benefit liability is charged to the CIES.

#### **Other Differences**

**Service lines** – adjusts for holiday pay transferred to the accumulated absence reserve.

**Financing and Investment Income and Expenditure** – adjustments to the General Fund for the timing differences for premiums and discounts.

**6.6 Trading Operations**

The Authority undertakes various trading operations, as listed in the table below. These trading activities mainly derive their turnover from rents, fees and charges and are either undertakings with the public and other third parties or are internal trading operations, which were originally set up as DSOs. Social Services residential homes are not operated as a trading activity within the Authority. At present all costs attributable to the operation of these homes are charged direct to the Social Services budget. The actual outturn figures in respect of these trading operations are detailed below:

2015-16 Total Gross Expenditure	2015-16 Total Gross Income	2015-16 Total Net (Income)/ Expenditure		2016-17 Total Gross Expenditure	2016-17 Total Gross Income	2016-17 Total Net (Income)/ Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
Activities/Section						
32,445	(33,088)	(643)	Property Services	31,524	(32,206)	(682)
			Vehicle Repair &			
1,352	(1,675)	(323)	Maintenance	1,131	(1,492)	(361)
3,675	(3,373)	302	Building Cleaning	3,965	(3,445)	520
5,227	(5,117)	110	Fleet Management	5,202	(5,191)	11
1,315	(1,457)	(142)	Civil Design	1,447	(1,725)	(278)
578	(296)	282	Rural Estate	688	(311)	377
831	(620)	211	Provision Markets	993	(597)	396
1,295	(1,625)	(330)	Industrial Sites	1,321	(1,673)	(352)
<b>46,718</b>	<b>(47,251)</b>	<b>(533)</b>		<b>46,271</b>	<b>(46,640)</b>	<b>(369)</b>

**6.7 Council Tax**

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by dividing the amount of income required for Carmarthenshire County Council and the Dyfed-Powys Police Authority for the forthcoming year by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts - £70,929k for 2016-17 (£70,376k for 2015-16). The Council Tax payable by a household is calculated by multiplying the basic amount for a band D property (£1,117.67 for Carmarthenshire County Council) by the proportion specified for the particular band.

Council Tax bills are based on multipliers for bands A to I. The following table shows the multiplier applicable to each band together with the equivalent number of Band 'D' properties within each band. In addition there is one lower band (A-) designed to offer the appropriate discount in respect of disabled dwellings where legislation allows a reduction in banding to that one below the band in which the property is actually valued.

Band	A-	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band D Dwellings	17	4,809	15,950	13,751	12,310	13,958	8,126	3,206	521	100

Analysis of the net proceeds from Council Tax:

	2015-16 £'000	2016-17 £'000
Council Tax Collectable	96,955	100,781
	<hr/>	<hr/>
	96,955	100,781
Less:		
Movement in Impairment Allowance	(658)	(758)
<b>Net Proceeds from Council Tax (including Precepts)</b>	<b><u>96,297</u></b>	<b><u>100,023</u></b>

**6.8 National Non Domestic Rates (NNDR)**

NNDR is organised on a national basis. The government specifies an amount for the rate (48.6p for rateable values in 2016-17 and 48.2p for rateable values in 2015-16) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value (which had been re-valued with effect from the 1 April 2010) by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the National Assembly for Wales. The National Assembly for Wales redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income after relief and provisions of £48,100k for 2016-2017 was based on an average rateable value of £121,989,319 (£120,806,537 for 2015-2016). As at 31<sup>st</sup> March 2017 the total non domestic rateable value was £122,690,223 (£121,288,415 as at 31<sup>st</sup> March 2016).

Analysis of the net proceeds from Non-Domestic rates:

	<b>2015-16 £'000</b>	<b>2016-17 £'000</b>
Non Domestic Rates Collectable	47,725	48,100
Less		
Amount Paid into NNDR Pool	(47,250)	(48,002)
Cost of Collection	(382)	(383)
Movement in Impairment Allowance	(196)	(557)
	<u>(103)</u>	<u>(842)</u>
Receipts from Pool	53,513	56,562
<b>Net Proceeds from NNDR</b>	<b><u>53,410</u></b>	<b><u>55,720</u></b>

**6.9 Property, Plant & Equipment**

Movements in 2016-17	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Book Value 01/04/16</b>	<b>326,472</b>	<b>751,829</b>	<b>14,897</b>	<b>276,390</b>	<b>3,782</b>	<b>21,813</b>	<b>19,165</b>	<b>1,414,348</b>
Additions	14,148	10,599	10,027	4,970	367	15	18,041	<b>58,167</b>
Revaluation Increases Recognised in the Revaluation Reserve	97	21,676	0	0	5	396	0	<b>22,174</b>
Revaluation Losses Recognised in the Revaluation Reserve	(11)	(12,793)	0	0	0	(220)	0	<b>(13,024)</b>
Revaluation Increases Recognised in the Provision of Services	0	5,413	0	0	0	628	0	<b>6,041</b>
Revaluation Losses Recognised in the Provision of Services	(4,439)	(9,693)	(282)	0	0	(372)	0	<b>(14,786)</b>
Derecognition of Disposals	0	(2,082)	(2,949)	0	0	0	0	<b>(5,031)</b>
Reclassifications: to & from Assets Held for Sale	(42)	0	0	0	0	(2,458)	0	<b>(2,500)</b>
Reclassifications: to & from Investment Properties	0	(293)	0	0	0	91	0	<b>(202)</b>
Reclassifications: from Assets Under Construction	0	0	0	0	0	0	(871)	<b>(871)</b>
Reclassifications: from Assets Under Construction	(99)	(21,032)	9	9,461	1,498	14,689	(4,526)	<b>0</b>
Write back of Dep'n to the Gross Carrying Amount on Revaluation	(2)	(5,604)	(573)	0	0	(27)	0	<b>(6,206)</b>
<b>Gross Book Value 31/03/17</b>	<b>336,124</b>	<b>738,020</b>	<b>21,129</b>	<b>290,821</b>	<b>5,652</b>	<b>34,555</b>	<b>31,809</b>	<b>1,458,110</b>
<b>Accumulated Depreciation and Impairment at 01/04/16</b>	<b>296</b>	<b>(25,192)</b>	<b>(8,881)</b>	<b>(70,063)</b>	<b>(395)</b>	<b>(16)</b>	<b>0</b>	<b>(104,251)</b>
Depreciation Charge	(11,185)	(21,951)	(1,745)	(6,291)	(34)	(283)	0	<b>(41,489)</b>
Depreciation Written Out to Revaluation Reserve	2	5,604	573	0	0	27	0	<b>6,206</b>
Derecognition of Disposals	0	29	2,791	0	0	0	0	<b>2,820</b>
Reclassifications: Depreciation & Impairments to Investment Properties	0	39	0	0	0	0	0	<b>39</b>
Other Movements in Depreciation and Impairments	0	695	0	0	(39)	(656)	0	<b>0</b>
<b>Cumulative Depreciation to 31/03/17</b>	<b>(10,887)</b>	<b>(40,776)</b>	<b>(7,262)</b>	<b>(76,354)</b>	<b>(468)</b>	<b>(928)</b>	<b>0</b>	<b>(136,675)</b>
<b>Net Book Value at 31/03/17</b>	<b>325,237</b>	<b>697,244</b>	<b>13,867</b>	<b>214,467</b>	<b>5,184</b>	<b>33,627</b>	<b>31,809</b>	<b>1,321,435</b>

Movements in 2015-16	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra- structure	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Book Value 01/04/15</b>	<b>562,449</b>	<b>639,100</b>	<b>17,547</b>	<b>270,648</b>	<b>3,583</b>	<b>19,673</b>	<b>65,723</b>	<b>1,578,723</b>
Additions	15,266	35,194	1,117	5,458	32	152	9,779	66,998
Revaluation Increases Recognised in the Revaluation Reserve	3,426	46,137	0	0	84	100	0	49,747
Revaluation Losses Recognised in the Revaluation Reserve	(26,852)	(1,262)	0	0	0	(359)	0	(28,473)
Revaluation Increases Recognised in the Provision of Services	1,908	8,613	0	0	0	0	0	10,521
Revaluation Losses Recognised in the Provision of Services	(136,398)	(7,864)	(1,508)	0	0	(896)	0	(146,666)
Derecognition of Disposals	(10)	0	(270)	0	0	0	0	(280)
Reclassifications: to & from Assets Held for Sale	(381)	(200)	0	0	(4)	(1,961)	0	(2,546)
Reclassifications: to & from Investment Properties	0	155	0	0	88	2,820	0	3,063
Reclassifications: from Assets Under Construction to Investment Properties	0	0	0	0	0	0	0	0
Reclassifications: from Assets Under Construction	477	53,016	0	284	(1)	2,561	(56,337)	0
Write back of Dep'n to the Gross Carrying Amount on Revaluation	(93,413)	(21,060)	(1,989)	0	0	(277)	0	(116,739)
<b>Gross Book Value 31/03/16</b>	<b>326,472</b>	<b>751,829</b>	<b>14,897</b>	<b>276,390</b>	<b>3,782</b>	<b>21,813</b>	<b>19,165</b>	<b>1,414,348</b>
<b>Accumulated Depreciation and Impairment at 01/04/15</b>	<b>(81,944)</b>	<b>(27,246)</b>	<b>(9,881)</b>	<b>(64,005)</b>	<b>(372)</b>	<b>(23)</b>	<b>0</b>	<b>(183,471)</b>
Depreciation Charge	(11,173)	(19,256)	(1,234)	(6,058)	(23)	(20)	0	(37,764)
Depreciation Written Out to Revaluation Reserve	93,413	21,060	1,989	0	0	277	0	116,739
Derecognition of Disposals	0	0	245	0	0	0	0	245
Reclassifications: Depreciation & Impairments to Investment Properties	0	0	0	0	0	0	0	0
Other Movements in Depreciation and Impairments	0	250	0	0	0	(250)	0	0
<b>Cumulative Depreciation to 31/03/16</b>	<b>296</b>	<b>(25,192)</b>	<b>(8,881)</b>	<b>(70,063)</b>	<b>(395)</b>	<b>(16)</b>	<b>0</b>	<b>(104,251)</b>
<b>Net Book Value at 31/03/16</b>	<b>326,768</b>	<b>726,637</b>	<b>6,016</b>	<b>206,327</b>	<b>3,387</b>	<b>21,797</b>	<b>19,165</b>	<b>1,310,097</b>

**Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

<b>Asset</b>	<b>Life (Years)</b>
Council Dwellings	30
Land <i>(including Community Assets)</i>	infinite
Buildings <i>(including Community Assets)</i>	30
Plant, Furniture & Equipment	5 to 10
Vehicles	1 to 10
Infrastructure	40

**Non Enhancing Expenditure**

As in 2015-16, non-enhancing expenditure has been included within the additions in the year and then written off as a revaluation loss. In preceding years this expenditure was written off directly to the CIES.

**Revaluations**

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on a depreciated historic cost basis.

**Statement of Non-Current Assets Carried at Current Value 2016-17**

The following statement shows the progress of the Authority's rolling programme for revaluation of fixed assets. The valuations are carried out in house by the Authority's Valuers who are Fellows of the Royal Institute of Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies.

	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Vehicles Plant &amp; Equipment £'000</b>	<b>Surplus Assets £'000</b>	<b>TOTAL £'000</b>
Valued at fair value as at:					
31 March 2017	9,652	(13,809)	6,232	12,742	14,817
31 March 2016	(235,977)	112,729	(2,650)	2,140	(123,758)
31 March 2015	19,668	(40,940)	(683)	(1,269)	(23,224)
31 March 2014	19,476	(19,640)	1,851	(2,612)	(925)
31 March 2013	20,711	18,174	(4,093)	432	35,224
Previous Years	502,594	681,506	20,472	23,122	1,227,694
<b>Gross Book Value at 31/03/17</b>	<b>336,124</b>	<b>738,020</b>	<b>21,129</b>	<b>34,555</b>	<b>1,129,828</b>

**Capital Commitments**

As at 31 March 2017 the Council was contractually committed to capital works which amounted to approximately £30.8 million. Major contracts included the following schemes:

	<b>£'000</b>
<b><u>COMMUNITIES</u></b>	
Public Sector Housing	2,959
Pembrey Country Park	1,792
<b><u>ENVIRONMENT</u></b>	
Trebeddrod Reservoir	21
Carmarthen West Link Road	2,202
Murray Street Car Park	46
<b><u>EDUCATION AND CHILDREN</u></b>	
<b>Modernising Education Programme</b>	
Dyffryn Amman	48
Maes Y Gwendraeth	28
Bro Dinefwr	416
Pen Rhos	4,226
Ffwrnes	10
Carreg Hirfaen	83
Llangadog	3,462
Burry Port Schools	95
Trimsaran	2,554
Parc y Tywyn	6,306
Bryngwyn	27
Pontyberem	2,931
Coedcae	1,411
St John Lloyd	1,997
Dewi Sant	166
	<b><u>30,780</u></b>



**6.10 Heritage Assets**

	Art Collections	Civic Regalia	Museum Exhibits	Public Sculptures	Ancient Monuments	Archives	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation Gross Carrying Amount 01/04/15</b>	<b>30</b>	<b>16</b>	<b>71</b>	<b>761</b>	<b>1,337</b>	<b>30</b>	<b>3</b>	<b>2,248</b>
Revaluation Losses	0	0	0	0	0	0	(2)	(2)
<b>Cost or Valuation Gross Carrying Amount 31/03/16</b>	<b>30</b>	<b>16</b>	<b>71</b>	<b>761</b>	<b>1,337</b>	<b>30</b>	<b>1</b>	<b>2,246</b>
Revaluation Losses	0	0	0	0	0	0	0	0
<b>Cost or Valuation Gross Carrying Amount 31/03/17</b>	<b>30</b>	<b>16</b>	<b>71</b>	<b>761</b>	<b>1,337</b>	<b>30</b>	<b>1</b>	<b>2,246</b>

**Heritage Assets: Five Year Summary of Additions & Valuations**

	Art Collections	Civic Regalia	Museum Exhibits	Public Sculptures	Ancient Monuments	Archive	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2016-17	0	0	0	0	0	0	0	0
2015-16	0	0	0	0	0	0	(2)	(2)
2014-15	0	0	7	39	63	0	0	109
2013-14	0	0	31	2	1	0	0	34
2012-13	0	0	(40)	0	0	30	0	(10)
Previous Years	30	16	73	720	1,273	0	3	2,115
<b>Cost or Valuation Gross Carrying Amount 31/03/17</b>	<b>30</b>	<b>16</b>	<b>71</b>	<b>761</b>	<b>1,337</b>	<b>30</b>	<b>1</b>	<b>2,246</b>

**Heritage Assets: Archives collections**

The archive service was established in 1959 to collect historically important records. Since then it has accrued 8785 deposits of records – each deposit may be as small as one item or as large as several thousand. All the items are unique. The records held are categorised under various headings.

**Records under the Public Records Act 1958:**

Land Tax 1797, Hearth Tax 1670, Survey of Crown lands 1560 and Census for Carmarthenshire 1841-1911.

Carmarthenshire Quarter Sessions: Order/minute books 1748-1752, 1794-1813, and 1820 -1971. Case files and papers 1833-1971; Judges' notebooks, jury books, justices' roll, registers of convictions and appeal books, 19th and 20th centuries. Public Records deposited with the Clerk of the Peace.

Carmarthenshire electoral registers from 1851 (Carmarthenshire and Llanelli constituencies from 1918 to date)

Plans of railways, roads, canals, harbours and other public undertakings 1808-1950

Enclosure acts and awards 1810-1873

Turnpike Trust records relating to Carmarthenshire

Petty Sessions: minutes and registers in Carmarthenshire 19th and 20th centuries

Hospital Records: minutes, reports, financial records and plans for various hospitals.

Territorial Association: Carmarthen Territorial and Auxiliary Forces Association minutes.

Shipping Records: Crew agreements and official logbooks of ships registered in Llanelli 1863-1913; Registers of ships and fishing boats in the ports of Llanelli 1824-1957 and Carmarthen 1839-1849.

Land Valuation Records: Valuation lists made under the Finance Act 1910 by the Commissioners of Inland Revenue: this includes detailed valuations of properties in every parish in Carmarthenshire.

**OFFICIAL RECORDS**

County Council: Carmarthenshire County Council 1889-1974, motor vehicle licensing records 1907-1974; Dyfed County Council minutes 1973-1996: Carmarthenshire County council minutes 1997-2011.

Education Records: Log Books of various schools 1862-1976; school board minutes 1871-1903; school managers' minutes 1872-1973; some admission registers 19th and 20th centuries.

Board of Guardians and the Workhouse: Minutes and financial records of the Guardians for Carmarthenshire Union 19th century-1948; Llandeilo Union 1836-1948; Llandovery Union 1840-1950; Llanelli Union c. 1840-1948; Workhouse records from Penlan Carmarthen 1866-1975; Abercennen Llandeilo 1839-1969; Llanelli 1913-1950.

Borough Records: Records for Carmarthen, Kidwelly, Laugharne, Llandovery and Llanelli Borough including minutes, rate books, title deeds, rentals, accounts and other material.

District Councils: Minutes, rate books, financial records, correspondence and plans for Llandeilo RDC / UDC, Cwmamman UDC c.1860-1974 and Ammanford UDC 1903-1974.

Water Authority: Minutes, reports, accounts and correspondence of the Towy Fishery Board 1867-1951.

Parish Councils: Minutes, title deeds, rate books, financial records and correspondence from many parishes 1894-1974.

Ecclesiastical Records: Church in Wales: registers of baptisms, marriages and burials of all Carmarthenshire parishes 16th-20th centuries; vestry minutes, churchwardens' accounts, overseers' papers, rate books and tithe maps for some parishes 18th-20th centuries. Tithe Apportionments and tithe maps 1848-c.1920. Nonconformist: microfilms of non-parochial registers in the Public Record Office; some original chapel records 18th-20th centuries.

**DEPOSITED PRIVATE COLLECTIONS:**

Many of the following are still owned by the original depositor and are on indefinite loan to the archive service. A few notable items include the Vaughan of Golden Grove pedigree created in 1641, and regarded as one of the finest examples of its kind; the Golden Grove Books – four volumes of Welsh family pedigrees compiled in c.1703, but relating to sources dating back to the eleventh century; Rebecca Riots letters.

Family and Estate records: 14-20th centuries' collections relating to many estates across the county. These contain title deeds, rentals, correspondence, financial records, maps, diaries, political and personal records.

Solicitors: Records accumulated by the firms within Carmarthenshire including deeds, rentals, correspondence and maps covering many large estates.

Business Records: John Francis and son, estate agents: records include deeds, wills, rentals and maps relating to various estates together with a collection of over 1,000 sale catalogues. Others business records include Waddle Engineering Llanelli, Buckleys Brewery Llanelli, the woollen industry in the Teifi Valley, Emlyn Anthracite Colliery and Llanelli Harbour Trust records.

Societies: Carmarthenshire Antiquarian Society collection includes borough records; police records; ecclesiastical records; poor law records; education records; maps; railway plans and a series of scrapbooks containing title deeds, cuttings, pictorial and antiquarian material, 13th – 20th centuries. Also, other records include Carmarthenshire Women's Institutes, United Counties Hunters' Society, Llanelli Constituency Labour Party, Ferryside RNLI and the Carmarthen branch of ASLEF 20th century and other trade union records.

Ordnance Survey Maps: Including various maps relating to Carmarthenshire dating back to the Nineteenth Century.

Newspapers: Carmarthen Journal 1810 - present, The Welshman 1846 -1950, South Wales Guardian and the Amman Valley Chronicle.

All the above records are normally available for use by the public, however at present due to fungal contamination in the strong rooms, they have had to be removed for restoration works, so are currently unavailable. Before the collections are returned it will be necessary to ensure that suitable accommodation is available or otherwise to look at alternative solutions such as working with other bodies to provide the service. The exact timescales are unknown at present but in the meantime it is planned that some collections will be deposited with Glamorgan Archives and Swansea University Archives during the calendar year 2016 in order to make them available to researchers.

### **Heritage Assets: Further information on Carmarthenshire County Council's museums' collections**

Carmarthenshire Museums Services consist of five museums and one heritage room.

While the collections of Carmarthenshire County Museum and Parc Howard Museum & Art Gallery are analysed separately, those of the Museum of Speed, Carmarthen Town Museum and Bro Aman Museum are included within the information about Carmarthenshire County Museum.

#### **Parc Howard**

Parc Howard was opened in 1912. Its collections have been drawn together mainly by donation. They reflect Llanelli's past. The Parc Howard collection is stored within the museum.

#### **Material Culture: including all material in the collection other than Fine Art and Ceramics**

This collection has a broad range of material culture reflecting the history of Llanelli from the 18<sup>th</sup> century. Notable items are an example of the Stepney Spare Wheel, products of the local iron, tin and steel industries and an example of the first tin beer can, which were made for the local Felinfoel Brewery. The collection also reflects local sport, brewing, religion, costume, WW2, and the town's civic history and notable figures. Of the 3,000 material culture objects in Parc Howard's collection, approximately 11% are on display at one time.

### **Fine Art Collection**

This collection consists of nearly 500 works of art, including oil paintings, works of art on paper and sculptures. The core of the collection's most important paintings came from the collection of Lady Stepney, who originally leased the museum and park to Llanelli Borough Council. The collection contains works by Llanelli born artists James Dickson Innes and Charles William Mansel Lewis and a large scale work by Hubert von Herkomer. Paintings by John Bowen and Tony Evans, two significant 20th century local artists, are also held. Of the 491 works of art, some 8.5%, including the collections' most significant works, are on display at one time. The remaining items are held in a secure store but can be made accessible to scholars and are shown in rotating exhibitions.

### **Ceramics Collection**

This collection contains the largest collection of Llanelli Pottery in public ownership. Nearly 80% of this collection of 721 items is on display at any one time. The Llanelli Pottery collection has been brought together since 1912 by a mixture of purchase and donation. The collection ranges from wares produced during the earliest years of manufacturing in 1840s until its final years during the 1920s. Among the earliest wares of significance are the collection of lithophanes and a bust of John Wesley, as well as examples of transfer printed ware patterns and forms. Approximately 30% of these are on display at any one time. Ceramics not on display are held in secure stores but can be made accessible to scholars.

### **Carmarthenshire County Museum**

The collections were begun by the Carmarthenshire Antiquarian Society and opened in 1908, being one of Wales' oldest museums. The County Museum collections not on display are stored at the museum and in a large store at Kidwelly Industrial Museum.

### **Material Culture: this includes all material except Archaeology, Natural Sciences, Ethnography and Fine Art.**

Carmarthenshire's post-medieval history encompasses both rural and industrial urban life and the collections reflect this dichotomy. The collections contain furniture, such as dressers, local ceramics, agricultural and industrial tools and machinery (including the anthracite coal industry), costume, samplers, quilts, lovespoons, photographs, militaria, numismatics, sports, education, tradition, the contents of a local cottage, faith, folk belief, education, memorabilia and commercial life. Of particular significance are the frieze from the Picton Monument, militia material, the cottage interior and a copy of the first translation of the New Testament into Welsh, as well as Carmarthenshire dressers with their original crockery. Of the collection of material culture of nearly 30,000 objects, approximately 9% of the collection is on display at any one time but objects not on display are held in secure stores but can be made accessible to scholars. Carmarthen Guildhall holds significant pieces of fixed and portable furniture made for it by David Morley of Carmarthen, and portraits of notable local people and other paintings.

### **Archaeology Collection**

Archaeology is a major regional collection containing items of local, regional, Welsh, UK and international significance. It can be viewed in two parts, material primarily acquired by the Carmarthenshire Antiquarian Society (1907 – 1939) and acquisitions of large archives from controlled excavations (1967 – present), mainly from the Dyfed Archaeological Trust and CADW. These archives include the paper, photographic and digital records. The date range is from Middle Palaeolithic to 20<sup>th</sup> century.

Significant items include: Middle Palaeolithic/late Neanderthal chert tools from Coygan Cave (50,000 ya) (international importance), Mesolithic shale figurines and pierced beads from Nab Head (international importance), Bronze Age metalwork hoards (regional importance), Romano-British wooden figurine from Strata Florida (international importance), Romano-British brooch from Carmarthen (national importance), Romano-

British gold pendant from Dolaucothi (national importance), excavation archives from Roman Carmarthen and Dolaucothi/Pumsaint (both national importance), early medieval inscribed standing stones (international importance), excavation archives from Dryslwyn and Laugharne castles and Carmarthen Greyfriars (national importance), Whitland floor tiles (national importance). The ceramics sequence from Laugharne Castle and Greyfriars combined provides a good reference collection for most of the medieval period in south-west Wales. There are over 30,000 items. At any time, 1.3% of the collection is on display.

### **Natural History and Geology Collection**

This is a small collection of mainly local flora and fauna, rocks, fossils and minerals which has developed very slowly since the museum's inception.

Early natural history acquisitions include vertebrate skeletal material, taxidermy specimens, collections of eggs and invertebrates and a few examples of pressed plants. A significant item is an 17<sup>th</sup>/18<sup>th</sup> herbarium. Later acquisitions (1970s) are mainly stuffed animals used in display.

The geological collection dates from the early years of the museum and perhaps from the 1970s/80s when some local collections appear to have been acquired.

There are 1700 geological items of which 67 are on display, representing 4% of this collection.

### **Ethnography**

This is a small collection of 300 objects was acquired from families associated with the Carmarthenshire Antiquarian Society. The various provenances reflect the activities of these families and individuals within the late Victorian/Edwardian empire. None of the collection is currently on display but has been exhibited in the recent past.

### **Fine Art**

This collection consists of oil paintings, works on paper and sculpture. It has one of the largest collections of oil paintings in a local museum in Wales. Notable works of art include the portraits of Sir Richard Vaughan of Golden Grove, Madam Bevan and David Morley. Works by 20<sup>th</sup> century Carmarthenshire artists are well represented, particularly those by Edward Morland Lewis, B. A. Lewis and Stanley Lewis. Of the 2000 or so works of art, approximately 216 or 11% are on display either at the county museum or in public buildings.

### **Kidwelly Industrial Museum**

This museum consists of an industrial complex, including buildings, machinery and displays. It is owned by Carmarthenshire County Council but is leased to an independent trust. The site also accommodates a large store of Carmarthenshire Museums Service.

**6.11 Investment Properties**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<b>2015-16 £'000</b>	<b>2016-17 £'000</b>
Rental income from investment properties	(940)	(981)
Direct operating expenses arising from investment property	185	277
Net (gain)/loss	<b>(755)</b>	<b>(704)</b>
Indirect Expenditure	419	284
Net (Gains)/Losses from Fair Value Adjustments	1,485	753
Income and Expenditure in relation to Investment Properties and Changes in their Fair Value	<b>1,149</b>	<b>333</b>

The following table summarises the movement in the fair value of investment properties over the year:

	<b>2015-16 £'000</b>	<b>2016-17 £'000</b>
<b>Balance at start of year</b>	26,374	22,927
Additions:		
Enhancements	1,101	2,086
Disposals	0	(5)
Net Gains/(Losses) from fair value adjustments	(1,485)	(752)
Transfer:		
(To)/From Property, Plant and Equipment	(3,063)	1,034
	<b>22,927</b>	<b>25,290</b>

**6.12 Long Term Investments**

	31 March 2016 £'000	31 March 2017 £'000
Cwm Environmental Ltd.	329	329
Egni Sir Gar Cyfyngedig	0	900
Banks and 100% Wholly Owned Subsidiaries	781	732
	<b>1,110</b>	<b>1,961</b>

CWM Environmental Ltd. is a wholly owned subsidiary company of the Authority. The company has been set up in accordance with the Environmental Protection Act 1990 for the purpose of Waste Disposal.

The company was vested with the Welsh Office on 10 March 1997 and the following represents the Authority's Interest at 31 March 2017:

	£'000
Share Capital	329

The investment has been included in Long-Term Investments within the Balance Sheet and the Authority has given no commitment to this company to meet any accumulated deficits or losses.

CWM Environmental Ltd operate two wholly owned subsidiaries with the following shareholding:

Pembrokeshire Recycling Company Ltd	£1.00
Carmarthenshire Recycling Company Ltd	£1.00

Pembrokeshire Recycling Company Ltd and Carmarthenshire Recycling Company Ltd are registered in England and Wales and are dormant.

The Company has produced separate Annual Reports for the year ended 31 December 2016, which includes an unqualified audit opinion by its Auditors Broomfield & Alexander Limited. Detailed below is a summary of the trading results for the year ended 31 December 2016 and net assets as at that date for CWM Environmental Ltd:

	Year ended 31 December 2016 £'000
Turnover	13,846
Less: Cost of Sales	(10,564)
<b>Gross Profit</b>	<b>3,282</b>
Overheads	(3,357)
<b>Net Profit before taxation</b>	<b>(75)</b>
Taxation on (loss) / profit	(40)
<b>Retained Profit/(Loss)</b>	<b>(115)</b>
Net Assets as at 31 December 2016	<b>5,727</b>

A copy of the Annual Report can be obtained from the Registered Office at the following address:

MRF Unit, Alltynap Road  
Cillefwr Industrial Estate  
Johnstown, Carmarthen  
SA31 3RA

Whilst CWM Environmental has the nature of subsidiaries which require the preparation of group accounts, Group Accounts have not been prepared as the consolidation would not materially affect the Authority's financial position or the reader of the accounts' ability to see the complete economic activities and exposure to risk of the Council.

Carmarthenshire County Council invested in the solar PV project set up by Egni Sir Gar Cyfyngedig - a community benefit society registered with the Financial Conduct Authority (number 7193). The scheme installed solar PV panels in 2016 on 17 non-domestic buildings within the Council's portfolio.

The society sold shares to fund the capital expenditure and working capital requirements associated with the development, installation and maintenance of the panels. The solar PV panel installation was completed during the 3rd quarter of 2016 and have generated electricity savings of over £11,500 across the 17 sites. The systems have generated over 250 MWh's of electricity and saved over 135 tonnes of CO2. It is anticipated that the annual electricity savings will be approximately £28,500 per annum, with annual CO2 savings over 300 tonnes per annum.

A Share Purchase Agreement was set up between Carmarthenshire County Council and Egni Si Gâr Cyfyngedig.

	£'000
Ordinary 'A' Shares	100
Ordinary 'B' Shares	800
<b>Total Share Capital</b>	<b>900</b>

Each share has a nominal value of £1.00 each.



**6.13 Long Term Debtors**

	31 March 2016 £'000	31 March 2017 £'000
Mortgages raised on Council House Sales	9	5
Houses into Homes Longer than One Year	119	194
Charges against estates of persons in residential homes (Carmarthenshire County Council)	523	508
Charges against estates of persons in residential homes (External Providers)	1,032	1,244
Capital Contribution to the loans of 1st time homebuyers	1,232	1,147
Dwr Cymru Welsh Water	15	14
Car Loans	125	128
Loan National Botanic Garden of Wales	1,190	0
Loan Scarlets	2,616	2,616
Loan Towy Community Church	223	207
Other	64	65
	<b>7,148</b>	<b>6,128</b>

The Welsh Government's initiative Houses into Homes provides interest free loans to bring back empty properties into use. These payments to landlords will create a recyclable loan fund usable during the term of the scheme which ends 31/03/2030.

During 2015-16 it was agreed by Executive Board to extend the Authority's interest free loan to the Botanic Garden for a further 3 years to 31st March 2018. The transaction has been recognised as a 'soft loan', where the interest rate charged is at below market rates. An adjustment has been made in the Comprehensive Income and Expenditure Statement to take account of the interest foregone which effectively reduces the amount outstanding to an amortised cost, thereby reducing the recorded amount outstanding. This balance is intended to be representative of what the loan could be traded for. Over the duration of the loan the amortised cost will increase back to the full amount outstanding of £1.350m at maturity date, as a result writing back forgone interest. The amount outstanding at 31st March 2017 is £1.268m and this amount has been transferred to Short Term Debtors (Note 6.17).

The County Council, as part of the Development Agreement entered into with Llanelli Rugby Football Club Limited (the club), advanced a sum of £2.4m for a term of 15 years to the club. The County Council has obtained indemnities from three of the original funding directors of the club which guarantee the interest obligations due under the terms of the loan for the first five years. In October 2010, the County Council agreed to a variation in the terms of the loan whereby interest payments of £216,000 were deferred to the end of the loan period in 2023. In October 2013, the Executive Board agreed to a variation in the terms of the loan whereby the interest charged will be reduced from the fixed rate of 7% to a variable rate of 3.5% plus the base interest rate (currently 0.25%) and capped at a maximum rate of 10%.

A 15 year annuity loan of £270k at a variable interest rate of 2.5% above base rate (currently 0.25%) was entered into with the Towy Community Church in December 2012 to assist in the implementation of the Xcel project.

**6.14 Short Term Investments**

This represents investments repayable within twelve months and is analysed as follows:

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Banks and 100% Wholly Owned Subsidiaries	8,038	17,148
Local Authorities	0	5,007
	<b>8,038</b>	<b>22,155</b>

**6.15 Assets Held for Sale**

	<b>Current Assets</b>	
	<b>2015-16 £'000</b>	<b>2016-17 £'000</b>
<b>Balance at start of year</b>	133	410
<b>Assets newly classified as held for sale:</b>		
- Property, Plant and Equipment	2,546	2500
Assets sold	(2,269)	(2,910)
<b>Balance at year end</b>	<b>410</b>	<b>0</b>

**6.16 Inventories**

	Education &				
	Environment	Children	Leisure	Other	Total
	£'000	£'000	£'000	£'000	£'000
<b>2015-16</b>					
<b>Balance as at 31 March 2015</b>	801	94	155	16	1,066
Purchases	1,712	1,955	149	0	3,816
Recognised as an expense in the year	(1,715)	(1,966)	(186)	0	(3,867)
Written off balances	(1)	0	0	0	(1)
Other net movements in year	(2)	0	0	(6)	(8)
<b>Balance as at 31 March 2016</b>	<b>795</b>	<b>83</b>	<b>118</b>	<b>10</b>	<b>1,006</b>
<b>2016-17</b>					
Purchases	1,840	1,980	123	125	4,068
Recognised as an expense in the year	(1,886)	(1,970)	(106)	(123)	(4,085)
Written off balances	0	0	(6)	0	(6)
Other net movements in year	1	0	0	(7)	(6)
<b>Balance as at 31 March 2017</b>	<b>750</b>	<b>93</b>	<b>129</b>	<b>5</b>	<b>977</b>

**6.17 Short Term Debtors**

	31 March 2016	31 March 2017
	£'000	£'000
HM Revenue & Customs	1,691	3,131
Central Government	20,566	12,382
Police, Fire, National Park and Local Authorities	4,162	8,152
NHS Bodies	2,802	4,887
Council Tax Payers	4,410	4,407
Housing Tenants	1,357	1,186
Employee Related	141	104
Other	11,241	16,545
	<b>46,370</b>	<b>50,794</b>

**6.18 Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
764	Cash held by the Authority	745
(2,921)	Bank current accounts	(2,727)
	Short-term deposits with banks and money	
27,008	market funds	18,004
10,000	Short-term deposits with Local Authorities	0
<b>34,851</b>	<b>Total Cash and Cash Equivalents</b>	<b>16,022</b>

**6.19 Short Term Borrowing**

This represents borrowing repayable within twelve months and is analysed as follows:

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Public Works Loan Board	8,700	12,835
Market Loan	63	64
Salix & Invest 2 Save	250	304
	<b>9,013</b>	<b>13,203</b>

**6.20 Short Term Creditors**

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
HM Revenue & Customs	(3,700)	(4,126)
Central Government	(2,513)	(2,799)
Police, Fire, National Park and Local Authorities	(4,589)	(4,081)
NHS Bodies	(340)	(642)
Housing Tenants	(386)	(441)
Council Tax Payers	(2,550)	(2,765)
Employee Related	(6,486)	(7,710)
Other	(34,977)	(35,159)
	<b>(55,541)</b>	<b>(57,723)</b>

**6.21 Provisions**

The summary below shows the movement in the level of provisions during 2016-17:

	1 April 2016 £'000	Reversal £'000	Addition £'000	Utilisation £'000	31 March 2017 £'000
Corporate Services Department	175	(40)	40	0	175
Environment Department	145	0	607	0	752
Education & Children	0	0	126	0	126
Chief Executive Department	490	(402)	0	0	88
Communities Department	1,641	0	297	0	1,938
Single Status	436	(436)	0	0	0
Losses on Investments	802	(21)	0	0	781
Municipal Mutual Insurance (MMI)	142	(9)	0	0	133
Landfill Site - Aftercare Provision	1,148	0	0	(149)	999
Insurance	2,148	(1,628)	0	0	520
	<b>7,127</b>	<b>(2,536)</b>	<b>1,070</b>	<b>(149)</b>	<b>5,512</b>

	Current Liabilities (< 1 year) £'000	Long Term Liabilities (> 1 year) £'000	Total £'000
<b>Balances as at 31 March 2017</b>			
Corporate Services Department	175	0	175
Environment Department	597	155	752
Education & Children	126	0	126
Chief Executives Department	88	0	88
Communities Department	46	1,892	1,938
Single Status	0	0	0
Losses on Investments	49	732	781
Municipal Mutual Insurance (MMI)	17	116	133
Landfill Site - Aftercare Provision	137	862	999
Insurance	520	0	520
	<b>1,755</b>	<b>3,757</b>	<b>5,512</b>

**Purpose of Main Provisions****Corporate Services Department**

Provision of £135k for remedial works on vacated buildings, plus provision for overtime for the closure of the accounts.

**Environment Department**

The total includes £14k for remedial works due to subsidence in Crown Park, £21k retention amount for Trebeddrod reservoir, £59k bad debts – trade waste, £131k for potential bad debts on livestock markets, £209k for approved asset transfer payments, £91k for Public Lighting I2S repayment and £227k for Carbon Reduction Programme allowances in respect of emissions generated in 2016-17.

**Education & Children's Services**

A provision of £126k has been made to meet the authority's Carbon Reduction Commitment responsibilities relating to 2016-17 in respect of schools

**Chief Executive Department**

Provision of 39k is made for potential legal challenge on the right to charge for personal search fees and a provision of £49k for potential bad debts on Commercial Properties.

**Communities Department**

Provision of £739k is made for the potential write off of residents contribution debt, £555k for potential payments on homecare balances and £293k for a potential shortfall in Health Board income. and a £15k provision for legal fees. £208k for legal/barristers costs for prosecutions relating to trading standards and animal health, £31k for agile working and £15k for Healthy Housing study. A specific provision of £81k is made in respect of unrecoverable debts on rental income from properties.

**Losses on Investments**

In October 2008 the Icelandic banking sector defaulted on its obligations. Provision has been made in the accounts for the estimated non-recoverable amounts. See note 6.47.

**Municipal Mutual Insurance (MMI)**

For the policy years before 1992/93, each local authority insured by MMI is exposed to a potential insurance liability relating to the closure of MMI on 30th September 1992. In January 2012 the Directors of MMI triggered the "MMI Scheme of Arrangement" with the levy notice being issued on 1st January 2014. The initial levy was for 15% and was increased to 25% at the end of 2015-16. Whilst there remains a net liability position on MMI's balance sheet the Schemes Administrator continues to monitor the claims position and will advise the scheme creditors if an adjustment to the levy is required. As the matter is on-going, the provision is retained in the accounts.

**Landfill Site - Aftercare**

Entities that operate landfill sites have a duty to carry out restoration works and undertake appropriate aftercare, including the monitoring and control of gas and leachate production at the sites. This provision recognises the estimated aftercare costs for the Wernddu and Nantycaws closed landfill sites.

**Insurance Provision**

This provision is for insurance claims that have been registered and are likely to fall on the Authority.

**6.22 Long Term Borrowing**

<b>Total Outstanding as at</b>	<b>31st March 2016 £'000</b>	<b>31st March 2017 £'000</b>	<b>Maturity Dates</b>
<b>Sources of Borrowing</b>			
Public Works Loan Board	364,115	371,108	2017-2066
Market Loans (Note i)	3,116	3,116	2017-2055
Interest Free Loans (Note ii)	3,194	3,847	2017-2031
	<b>370,425</b>	<b>378,071</b>	

- (i) The FMS Wertmanagement AoR Bank loan is a Lenders Option Borrowers Option (LOBO) loan. It is shown at the Equivalent Interest Rate (EIR). It is a stepped interest rate loan, with a current rate of 4.72 %. The lender has the option to vary the interest rate at each interest payment date. If the lender exercises the option the Authority then has the option as to either accept the new interest rate or repay the loan back to the lender. In the accounts an adjustment has to be made to equalise the difference between the rate charged and the rate paid to show the true cost of the loan over the loan period.

(ii)

**Interest Free Loans**

<b>Total Outstanding as at</b>	<b>31st March 2016 £'000</b>	<b>31st March 2017 £'000</b>
SALIX	284	100
Invest-2-Save	918	1,287
Home Improvement Loans Scheme	1,292	1,292
Town Centre Loans	700	1,168
	<b>3,194</b>	<b>3,847</b>

The Home Improvement Loan Scheme (HILS) is issued under statute by the Welsh Government. The purpose of the scheme is to provide loans to owner occupiers and the private rented sector to improve properties or to bring empty properties back into use. The term of the funding is until 31st March 2030, with advances to third parties repayable interest free.

The Town Centre Loans (TCL) is issued under statute by the Welsh Government. The purpose of the scheme is to provide loans to reduce the number of vacant, underutilised and redundant sites and premises in town centres and to support the diversification of the town centres by encouraging more sustainable uses for empty sites and premises, such as residential, leisure and for key services. The term of the funding is until 31st March 2031, with advances to third parties repayable interest free.

**6.23 Earmarked Council Fund Reserves**

A summary of the earmarked reserves set up by this Authority or its predecessor Authorities is set out below:

	1 April 2015 £'000	Transfers In £'000	Transfers Out £'000	31 March 2016 £'000	Transfers In £'000	Transfers Out £'000	31 March 2017 £'000
Insurance	9,626	1,949	(3,689)	7,886	3,575	(1,516)	9,945
Capital Investment Fund	86	0	0	86	0	0	86
Development Fund	899	302	(6)	1,195	630	(311)	1,514
Outcome Agreement Fund	3,246	0	(1,909)	1,337	0	(1,328)	9
Local Authority Business Growth							
Incentive Grant	233	38	(43)	228	0	(142)	86
Major Development Fund	19,723	13,915	(1,720)	31,918	6,643	(1,162)	37,399
Schools Organisation Fund	610	0	(610)	0	0	0	0
Financial Management System	273	0	(200)	73	44	0	117
Corporate Retirement Fund	4,159	0	(1,016)	3,143	0	(301)	2,842
Human Resources System	53	0	(23)	30	0	(30)	0
Derelict Land	119	0	0	119	0	(119)	0
Youth Support Services Scheme	21	0	0	21	0	(21)	0
Parc Dewi Sant /St David's Park	957	107	(618)	446	65	0	511
Joint Ventures	1,592	199	(276)	1,515	190	(537)	1,168
Redundancy	1,030	94	(236)	888	8	(88)	808
Fleet Management	3,999	168	(3,855)	312	1,330	(266)	1,376
Externally Funded Schemes	1,379	712	(290)	1,801	441	(536)	1,706
Council Tax/Housing Benefit	1,631	0	0	1,631	0	0	1,631
MEP Capital Funding	8,470	3,689	(9,995)	2,164	3,685	(2,400)	3,449
IT Infrastructure	1,910	3	(820)	1,093	121	(140)	1,074
Salix Fund	389	208	(346)	251	210	(305)	156
Support Carmarthenshire Business	143	0	0	143	0	0	143
Llanelly House	90	0	(30)	60	350	0	410
National Botanic Garden	200	0	(70)	130	0	(65)	65
Employee Development	438	0	(54)	384	505	(231)	658
Ty Elwyn Refurbishment	0	0	0	0	0	0	0
Local Authority Mortgage Scheme	200	0	(200)	0	0	0	0
Job Evaluation	3,462	0	(2,060)	1,402	0	(999)	403
Highways Capital Charges	748	50	0	798	49	0	847
Community Asset Transfer Fund	253	0	(14)	239	0	(27)	212
Housing Services Schemes	0	782	(117)	665	939	(381)	1,223
Departmental Reserves	6,243	2,704	(2,877)	6,070	1,634	(1,537)	6,167
Other	76	87	(60)	103	25	0	128
	<b>72,258</b>			<b>66,131</b>			<b>74,133</b>



	1 April 2015 £'000	Transfers In	Transfers Out	31 March 2016 £'000	Transfers In	Transfers Out	31 March 2017 £'000
<b>Held by Schools under LMS</b>	<u>3,941</u>	1,708	(1,972)	<u>3,677</u>	931	(2,898)	<u>1,710</u>
	<u><b>3,941</b></u>			<u><b>3,677</b></u>			<u><b>1,710</b></u>
<b>HRA:</b>							
Major Repairs	<u>0</u>	6,166	(6,166)	<u>0</u>	6,170	(6,170)	<u>0</u>
Total	<u><b>0</b></u>			<u><b>0</b></u>			<u><b>0</b></u>

### Insurance

Funds have been set aside to meet the cost of claims and other losses that could fall on the Authority (see note 6.38).

### Capital Investment Fund

The fund was set up with aim of providing a means of supporting the Authority's Capital Programme. The remaining balance will be used in 2017-18.

### Development Fund

The aim of this fund is to assist the Authority in its long term planning by allocating resources to projects that, due to lack of funding, could not be carried out within normal budgetary allocations.

### Outcome Agreement Fund

This is the balance of the Outcome Agreement Grant received from the Welsh Government based upon the Policy Agreement and is earmarked to support the Three Year Capital Programme. The remaining balance will be used in 2017-18.

### Local Authority Business Growth Incentive Grant

This is the balance of the Local Authority Business Growth Incentive grant received for both the 2006-07 and the 2007-08 financial years over and above that allocated to support the budget. This balance is earmarked to support the Capital programme in 2017-18

### Major Development Fund

This fund has been created to support major capital development projects in the County and its utilisation is reflected in the 5 year capital programme.

### Financial Management System

Set up to meet the funding of the significant investment in the provision and development of the new Financial Management System. The balance will be utilised in 2017-18.

### Corporate Retirement Fund

This Fund has been set up to support the Authority's redundancy and early retirement policy, enabling the Authority to provide for the actuarial strain on the Pension Fund which arises from any early retirement or redundancy.

### Parc Dewi Sant/St David's Park

This fund has been established to finance the ongoing programme of refurbishment works that are required to allow the buildings to be used as office accommodation. Income generated from these buildings has been set aside into this reserve to allow funding of these works.

**Joint Ventures**

The Authority has entered into various Joint Venture agreements with the Welsh Government. Rental income received in relation to these is set aside to meet future obligations.

**Redundancy**

This fund has been established by Departments to meet potential redundancy costs that may be incurred at the termination of fixed term contracts for staff at the end of externally funded schemes.

**Fleet Management**

This reserve has been established to equalise the whole of life cost of operating and maintaining Council's vehicles to the service users over agreed durations.

**Externally Funded Schemes**

To provide match funding for ongoing projects or externally funded schemes in future years.

**Council Tax/Housing Benefits**

This reserve has been earmarked to meet the potential costs falling on Carmarthenshire arising from the annual reductions in the Housing Benefits Administration grant and Welfare reform.

**MEP Capital Funding**

Sum set aside to meet the cost of prudential borrowing to finance the Modernising Education Provision programme and its utilisation is reflected in the 5 year capital programme.

**IT Infrastructure**

This fund has been established to support the planned replacement of the Authorities servers and IT infrastructure.

**Salix Fund**

Salix, which is an independent social enterprise that provides funding for proven technologies which are cost effective in saving CO<sub>2</sub>, have provided the Authority with a grant to allow loans to be made to schools/ departments to fund energy saving schemes. These loans are repaid from the resultant savings and the fund is replenished for other schools/ departments to benefit from the scheme.

**Support Carmarthenshire Business**

Reserve set aside to provide financial support to ratepaying businesses in Carmarthenshire experiencing difficulties in the economic recession providing short term loans for a maximum of 18 months.

**Llanelly House**

To meet the agreed funding support to the Llanelly House project, in order to assist with the sustainability of this new facility which is seen as being integral to the long term regeneration plans for the town centre

**National Botanic Garden**

Reserve set aside to provide financial support to the National Botanic Garden over a three year period from 2015-16.

**Employee Development Fund**

Reserve set aside to provide 4 tiers of work placement and training within the Council as a means of assisting local people, including young people with limited or no employment history to gain qualifications and employment in order to enhance their employment prospects.

**Job Evaluation**

The Authority has implemented the outcome of the Job Evaluation exercise and has set up this reserve to assist with the maintenance of the Single Status structures.

**Highways Capital Funding (Local Government Borrowing Initiative LGBI)**

The fund has been established to meet the cost of borrowing to finance the Highways capital improvement and maintenance programme.

**Community Assets Transfer Fund**

The authority recognised that there are some services or local facilities that could be operated more effectively if run by Community Groups or Community Councils. This fund was established to undertake improvements to facilities or give financial incentives to enable these projects to be taken forward.

**Housing Services Schemes**

This reserve has been set up to support Housing projects including Supporting People and bringing empty houses back into use and the Syrian Resettlement scheme.

**Departmental Reserves**

The Authority has a policy that allows departments to carry forward up to 50% of any year end underspend that can be allocated towards specific projects/services within the departments.

**6.24 Capital Receipts Reserve**

	2015-16 £'000	2016-17 £'000
Opening Balance	26,512	18,633
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,157	2,858
Statutory Capital Receipts	131	135
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	6	6
	<u>28,806</u>	<u>21,632</u>
Capital Receipts Set Aside	(123)	(4)
Use of the Capital Receipts Reserve to finance new capital expenditure	(10,027)	(6,644)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(23)	(9)
<b>Closing Balance</b>	<b><u>18,633</u></b>	<b><u>14,975</u></b>

The capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans. The major repairs allowance received from the Welsh Assembly Government was applied in full during the year. There was no balance carried forward in respect of this grant.

**6.25 Capital Grants Unapplied**

	2015-16 £'000	2016-17 £'000
Opening Balance	1,275	863
Additions	300	83
	<u>1,575</u>	<u>946</u>
Grants and Contributions applied	(712)	(355)
<b>Closing Balance</b>	<b><u>863</u></b>	<b><u>591</u></b>

**6.26 Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015-16 £'000			2016-17 £'000
<b>323,284</b>	<b>Balance at 1 April</b>		<b>333,733</b>
49,747	Upward revaluation of assets	22,174	
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the		
(28,473)	Provision of Services	(13,024)	
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		
21,274			9,150
	Difference between fair value depreciation and historical cost depreciation	(10,095)	
(876)	Accumulated gains on assets sold or scrapped	(1,404)	
(10,825)	Amount written off to the Capital Adjustment Account		(11,499)
<b>333,733</b>	<b>Balance at 31 March</b>		<b>331,384</b>

**6.27 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 is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. 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.

Note 6.4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015-16 £'000		2016-17 £'000
<b>731,974</b>	<b>Balance at 1 April</b>	<b>555,560</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(27,815)	Charges for depreciation and impairment of non-current assets	(31,394)
(136,147)	Revaluation losses on Property, Plant and Equipment	(8,745)
(83,096)	Revenue expenditure funded from capital under statute	(1,732)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
<u>(2,303)</u>		<u>(5,126)</u>
482,613		508,563
876	Adjusting amounts written out of the Revaluation Reserve	1,404
483,489	Net written out amount of the cost of non-current assets consumed in the year	509,967
123	Capital Receipts Set Aside	4
(78)	Additional in Year Movements	(87)
10,027	Use of the Capital Receipts Reserve to finance new capital expenditure	6,644
23	Use of Capital Receipts to finance Cost of Sales	9
6,166	Use of the Major Repairs Reserve to finance new capital expenditure	6,170
22,721	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	12,456
	Application of grants to capital financing from the Capital Grants Unapplied Account	
712		354
12,901	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	11,521
20,961	Capital expenditure charged against the General Fund and HRA balances	5,820
<u>557,045</u>		<u>552,858</u>
(1,485)	Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	(752)
<b><u>555,560</u></b>	<b>Balance at 31 March</b>	<b><u>552,106</u></b>

**6.28 Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2017 will be charged to the Council Fund over the next 6 years.

2015-16 £'000		2016-17 £'000
(870)	<b>Balance at 1 April</b>	(986)
	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	
(116)		102
<u>(986)</u>	<b>Balance at 31 March</b>	<u>(884)</u>

**6.29 Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2015-16 £'000		2016-17 £'000
348	<b>Balance at 1 April</b>	342
	Transfer to the Capital Receipts Reserve upon receipt of cash	
(6)		(6)
<u>342</u>	<b>Balance at 31 March</b>	<u>336</u>

**6.30 Pensions Reserve**

The Pensions Reserve 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 Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015-16 £'000		2016-17 £'000
<b>(276,151)</b>	<b>Balance at 1 April</b>	<b>(264,514)</b>
28,472	Remeasurements of the net defined benefit liability/(asset)	(83,368)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	
(41,248)	in the Comprehensive Income and Expenditure Statement	(37,617)
24,413	Employer's pensions contributions and direct payments to pensioners payable in the year	24,205
<b><u>(264,514)</u></b>	<b>Balance at 31 March</b>	<b><u>(361,294)</u></b>

**6.31 Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

2015-16 £'000		2016-17 £'000
<b>(4,841)</b>	<b>Balance at 1 April</b>	<b>(3,755)</b>
4,841	Settlement or cancellation of accrual made at the end of the preceding year	3,755
<b><u>(3,755)</u></b>	Amounts accrued at the end of the current year	<b><u>(5,167)</u></b>
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
1,086		(1,412)
<b><u>(3,755)</u></b>	<b>Balance at 31 March</b>	<b><u>(5,167)</u></b>



**6.32 Expenditure and Income Analysed by Nature**

The Authority's expenditure and income is analysed as follows. This is made up of expenditure and income both within and outside of the cost of services in the Comprehensive Income and Expenditure Statement, and reconciles to the surplus or deficit on the provision of services.

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
	<b>Expenditure</b>	
251,994	Employee Expenses	250,913
342,864	Other Service Expenses	256,316
30,569	Support Service Recharges	30,843
173,911	Depreciation & Similar Charges	50,234
54,250	Interest Payable & Similar Charges	56,806
28,311	Precepts & Levies	28,784
146	Gains/Losses on Disposal of Non Current Assets	2,268
<b>882,045</b>	<b>Total Expenditure</b>	<b>676,164</b>
	<b>Income</b>	
(142,168)	Fees, Charges & Other Service Income	(147,510)
(26,727)	Interest and Investment Income	(29,536)
(149,707)	Income from Council Tax & Net Proceeds from Non Domestic Rates	(155,743)
(344,388)	Grants and Contributions	(321,215)
<b>(662,990)</b>	<b>Total Income</b>	<b>(654,004)</b>
<b>219,055</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>22,160</b>

**6.33 Pooled Budgets**

The Authority has entered into a pooled budget arrangement with Hywel Dda Local Health Board for the provision of an integrated community equipment store. The Authority and the Board have an agreement in place from 1st October 2009, with the partners contributing funds to the agreed budget of £148,768 and £381,960 respectively. Any additional funding together with any deficit or surplus arising on the pooled budget at the end of each financial year is agreed between partners.

	<b>2015-16</b>		<b>2016-17</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Funding provided to the pooled budget:				
the Authority	128		150	
the Local Health Board	<u>382</u>		<u>382</u>	
		510		532
Expenditure met from the pooled budget:		(515)		(512)
Net surplus/(deficit) arising on the pooled budget during the year		<u>(5)</u>		<u>20</u>
Authority share of the net surplus/(deficit) arising on the pooled budget		<u>(3)</u>		<u>10</u>

**6.34 Members Allowances**

The Authority paid the following amounts to Members of the Council during the year:

	<b>2015-16</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>
Allowances	1,244,592	1,240,069
Expenses	47,686	42,702
<b>Total</b>	<b><u>1,292,278</u></b>	<b><u>1,282,771</u></b>

Further information on Members Allowances is available on the Authority's website [www.cararthenshire.gov.wales](http://www.cararthenshire.gov.wales) under Councillors Allowances.

**6.35 Employee Emoluments**

The numbers of employees whose remuneration excluding pension contributions was £60,000 or more were:

Remuneration Band	No. of Employees 2015-16	No. of Employees 2016-17	Left During 2016-17
60,000 to 64,999	27	36	1
65,000 to 69,999	16	16	6
70,000 to 74,999	8	10	2
75,000 to 79,999	6	6	2
80,000 to 84,999	4	3	0
85,000 to 89,999	10	12	1
90,000 to 94,999	2	2	0
95,000 to 99,999	4	3	0
100,000 to 104,999	2	3	0
105,000 to 109,999	2	1	0
<b>Total No. of Employees :</b>	<b>81</b>	<b>92</b>	<b>12</b>

Remuneration value includes redundancy/termination payments.

Included in the bandings above are three teachers who are employed by voluntary aided schools.

The bandings above exclude the senior officers of the Authority's Management Team that are listed in detail in the following tables.

**Senior Officers emoluments where salary is £150,000 or more per year**

The following table sets out Senior Officers emoluments where salary is £150,000 or more, including pension contributions or equivalent payments.

Post		Salary (including fees & allowances)	Pension contributions	Expense Allowances
Mr M V James	15/16	169,025	0	222
Chief Executive & Returning Officer	16/17	170,424	0	193

The salary figures above include fees in respect of County Council elections and Community Council by-elections.

**Senior Officers emoluments where salary is between £60,000 & £150,000 per year**

Post		Salary (including fees & allowances)	Pension contributions
Director of Regeneration & Leisure (i)	15/16	5,488	0
Director of Environment (ii)	15/16	27,780	3,621
	15/16	56,133	7,241
	15/16	44,283	5,048
	16/17	116,764	15,125
Director of Communities (iii)	15/16	120,790	15,582
	16/17	134,198	17,311
Director of Corporate Services (iv)	15/16	64,865	8,368
	16/17	117,696	15,183
Head of Financial Services (iv)	15/16	43,177	5,570
Director of Education & Children (v)	15/16	120,790	15,582
	16/17	95,981	12,382
	16/17	37,906	4,876
Head of Education Services (v)	15/16	97,860	12,618
	16/17	65,921	8,496

No compensation for loss of office, benefits in kind or bonus payments were made to the officers detailed in Senior Officers emoluments tables. No expense allowances were paid to Senior Officers where the salary is between £60,000 and £150,000 per year.

For the purpose of putting a value on the pension contributions relating to senior officers, the Common Contribution Rate of 12.9% of pensionable pay has been used. This rate does not allow for the Deficit Recovery which is a liability of the Authority and does not relate specifically to the employee.

- (i) The post of Director of Regeneration & Leisure was deleted in April 2015. Prior to this date, the Director worked 4 days per week.
- (ii) The role of Director of Environment was undertaken by three individuals during 2015/16 due to resignation and interim arrangements.
- (iii) From 1<sup>st</sup> April 2016 the Director of Communities has received a 10% uplift in respect of his appointment as Deputy Chief Executive.
- (iv) The Director of Corporate Services retired in September 2014 and the Head of Financial Services was appointed section 151 officer until September 2015 when the postholder was appointed to the post of Director.
- (v) The Director of Education & Children's Services retired in December 2016. The Head of Education Services was subsequently appointed to the post of interim Director and the post of Head of Education Services was deleted.

The ratio of the Chief Executive's remuneration to the median remuneration in Carmarthenshire County Council was as follows:

	<b>2015/16</b>	<b>2016/17</b>
Chief Executive's remuneration	£169,247	£170,617
Median remuneration of all employees	£20,971	£21,274
Ratio of the remuneration of the Chief Executive to the median remuneration of all employees	8.07 : 1	8.02 : 1

### 6.36 Exit Packages

During 2016-17 the Authority incurred significant expenditure in terms of redundancy costs paid to leavers together with costs incurred in compensation payments to the Local Government Pension Fund in respect of early access pension costs. During this period the authority operated a voluntary severance scheme to support the delivery of its required efficiencies.

All costs relating to termination benefits have been included as part of service definitions within the Comprehensive Income and Expenditure Statement.

The above costs are detailed in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total Number of Exit Packages by cost band		Total Cost of Exit Packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £	2016/17 £
£0 - £20,000	52	74	60	39	112	113	<b>804,773</b>	<b>734,506</b>
£20,000 - £40,000	4	11	35	17	39	28	<b>1,057,547</b>	<b>770,803</b>
£40,000 - £60,000	0	2	8	3	8	5	<b>380,596</b>	<b>250,519</b>
£60,000 - £80,000	0	1	5	11	5	12	<b>357,427</b>	<b>865,684</b>
£80,000 - £100,000	1	0	6	2	7	2	<b>650,502</b>	<b>166,698</b>
£100,000 - £150,000	0	0	0	2	0	2	<b>0</b>	<b>235,951</b>
<b>TOTAL</b>	<b>57</b>	<b>88</b>	<b>114</b>	<b>74</b>	<b>171</b>	<b>162</b>	<b>3,250,845</b>	<b>3,024,160</b>

**6.37 Audit Costs**

In 2016-17 Carmarthenshire County Council incurred the following fees relating to financial audit and inspection, payable to the Wales Audit Office:

	2015-16 £'000	2016-17 £'000
Financial Audit Services	184	184
Local Government Measure	116	116
Certification of Grant Claims & Returns	90	72
Burry Port Harbour Inspection	2	1
<b>Total</b>	<b>392</b>	<b>373</b>

**6.38 Insurance Cost**

The insurance reserve is used to meet the cost of claims and other losses that could fall on the Authority. Whilst the Authority purchases a range of insurance cover, part of the risk remains with the Authority through the acceptance of "Policy Excesses" and through the setting of "Indemnity Limits".

On Liability and Property Policies there is a "Stop Loss" which is the aggregate maximum exposure that the Authority could face provided the Indemnity Limit is not breached (see below).

The Insurer may set a limit at the maximum exposure they are contracted to cover and this is termed the "Indemnity Limit".

The Table below illustrates the Authority's potential exposure by identifying the main policies, the relevant excess per claim, the overall Stop Loss and the Indemnity Limit that applied for the period 1<sup>st</sup> July 2016 to 30<sup>th</sup> June 2017:

Description	Policy Excess (per claim/ event)	Stop Loss	Indemnity Limit
Liability	Public Liability £250,000  Employers' Liability £130,000	£3,150,000	£30,000,000
Property	Education Properties - £250,000  General Properties - £50,000  Housing Properties - £50,000	£1,000,000	Sum Insured £1,892,650,462
Motor	£1,000 per claim (own damage i.e. Council Vehicle)  No excess applies for 3 <sup>rd</sup> Party Property Damage or Personal Injury Claims	Not Applicable	* Damage to Own Vehicle – Market Value * 3 <sup>rd</sup> Party Vehicle or Property Damage - £5m any one claim * 3 <sup>rd</sup> Party Death or Injury – Unlimited

**6.39 Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2015-16 £'000	2016-17 £'000
<b>Credited to Services</b>		
<b>Education &amp; Children's Services:</b>		
DCELLS Post 16 & ACL Funding	6,348	6,344
Flying Start	3,782	3,847
Cymorth Grant	1,994	1,977
Education Improvement Grant	8,159	7,771
Deprivation Grant	3,931	4,505
European Social Fund	0	211
<b>Adult Social Services:</b>		
Supporting People	6,465	6,238
Continuing Health Care Grant	1,284	1,103
Intermediate Care Fund	2,295	1,656
Work Choice	401	418
Wanless Grant	700	688
General Capital Grant	2,605	2,294
Specific Grant for Renewals	206	327
Community Team Learning Disabilities	2,487	3,060
ARBED Energy Efficiency	1,368	271
<b>Highways &amp; Transport Services:</b>		
Concessionary Fares Subsidy	1,987	2,001
Local Transport Services Grant	740	760
Convergence (European)	30	0
<b>Cultural, Environmental, Regulatory &amp; Planning Services:</b>		
Sustainable Waste Management Grant	3,968	3,750
Convergence (European)	3,589	0
ERDF Grant (European)	0	90
European Social Fund	0	448
Rural Development Plan	445	410
Strategic Regeneration Area Grant	2,631	0
Communities First Cluster	709	659
Sports Council for Wales	513	513
<b>Central Services to the Public:</b>		
Housing Benefit	51,044	51,250
Other Grants - WAG funded	3,677	2,825
Other Grants	4,772	3,124
<b>Total</b>	<b>116,130</b>	<b>106,540</b>

The 2015-2016 total for Grants credited to services specifically under 'Adult Social Services & Housing' has been restated by a reduction of £758k. This relates to the Welsh Government Houses to Homes Scheme which is classified as a loan scheme and not a

grant and was included incorrectly in the previous year. The previous total for 2015-16 of £116,888k has been restated as £116,130k.

	2015-16 £'000	2016-17 £'000
<b>Revenue Support Grant</b>	<b>199,071</b>	<b>195,966</b>
<b>General Government Grants</b>		
Outcome Agreement Grant	565	0
<b>Total</b>	<b>565</b>	<b>0</b>
<b>Capital Grants and Contributions</b>		
21st Century Schools Grant/School Building Improvement Grant	11,291	5,225
Major Repairs Allowance	6,166	6,170
Flying Start	1,287	254
Improvement Agreement Grant	1,342	0
Transport Grants	3,799	3,116
General Capital Grant	940	1,265
Targeted Match Funding	11	171
ERDF Convergence	640	17
Intermediate Care Fund	0	11
Vibrant & Viable Places VVP	998	1,090
ARBED Energy Efficiency	265	0
Other Grants & Contributions	2,448	1,390
<b>Total</b>	<b>29,187</b>	<b>18,709</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2016 £'000	31 March 2017 £'000
<b>Revenue Grants Receipts in Advance</b>		
Communities various	75	80
Environment various	51	41
Education various	114	121
	<b>240</b>	<b>242</b>



**6.40 Related Party Transactions**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

**Central Government**

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Grants received from government departments are set out in Note 6.39.

**Other Public Bodies**

The Authority has a pooled budget arrangement with Hywel Dda Local Health Board for the provision of an integrated community equipment store. Transactions are detailed in Note 6.33

**Dyfed Pension Fund**

The Dyfed Pension Fund is administered by Carmarthenshire County Council. Transactions between the two bodies are detailed in Note 6.44. Short Term Creditors (Note 6.20) includes an amount of £4.9m owed to the Dyfed Pension Fund at 31<sup>st</sup> March 2017 (£2.3m at 31<sup>st</sup> March 2016).

**CWM Environmental Limited**

CWM Environmental Limited is a wholly owned subsidiary company of Carmarthenshire County Council. Details of investments are included in Note 6.12 under Long Term Investments.

**Egni Sir Gar Cyfyngedig**

Carmarthenshire County Council is the registered Custodian Trustee of Egni Sir Gar Cyfyngedig. Details of investments are included in Note 6.12 under Long Term Investments.

**Members' Interests**

The Authority has arrangements in place requesting members and Officers to identify and disclose related party transactions.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016-17 is shown in Note 6.34.

The Authority paid grants totalling £70k to organisations in which eight members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

**Officers' Interests**

During 2016-17, the Assistant Chief Executive (Focus & Policy) continued the position representing Carmarthenshire County Council on the Board of Coleg Sir Gar.

A summary of Carmarthenshire County Council's transactions with Coleg Sir Gar is set out below:

	<b>2015-16</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	428	481
Income	1,002	966
	<b>2016</b>	<b>2017</b>
Balances outstanding at 31st March:	<b>£'000</b>	<b>£'000</b>
Creditor	3	2
Debtor	310	563

Expenditure includes payment to Coleg Sir Gar for the provision of 14-19 vocational courses.

Income includes funding from Coleg Sir Gar for the College Transport Contract and the provision of Adult Community Learning Courses.

**6.41 Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2015-16 £'000	2016-17 £'000
<b>Capital Investment</b>		
Property, Plant and Equipment	66,998	58,167
Investment Properties	1,101	2,086
Long Term Loans	6	3
Investments	0	900
Revenue Expenditure Funded from Capital under Statute	16,723	4,945
Buyout of HRA Subsidy	78,969	0
	<b>163,797</b>	<b>66,101</b>
<b>Sources of Finance</b>		
Capital Receipts	10,050	6,653
Government grants and other contributions	41,483	21,840
Sums set aside from revenue	11,682	4,440
Direct revenue contributions	9,990	1,734
Borrowing	90,592	31,434
	<b>163,797</b>	<b>66,101</b>
<b>Opening Capital Financing Requirement</b>	<b>373,821</b>	<b>454,325</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrow (supported by government financial assistance)	2,525	3,724
Increase in underlying need to borrow (unsupported by government financial assistance)	77,979	13,277
Increase/(decrease) in Capital Financing Requirement	80,504	17,001
<b>Closing Capital Financing Requirement</b>	<b>454,325</b>	<b>471,326</b>

**6.42 Leases****Authority as Lessee***Operating Leases*

The Authority leases in property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments due under non-cancellable leases in future years are:-

	<b>2015-16 £'000</b>	<b>2016-17 £'000</b>
Not later than one year	810	723
Later than one year and not later than five years	2,567	2,227
Later than five years	5,093	4,453
	<b><u>8,470</u></b>	<b><u>7,403</u></b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2015-16 £'000</b>	<b>2016-17 £'000</b>
Minimum Lease payments	1,081	1,024

**Authority as Lessor***Operating Leases*

The Authority leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The income credited to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2015-16 £'000	2016-17 £'000
Not later than one year	1,046	1,043
Later than one year and not later than five years	3,028	3,077
Later than five years	23,925	22,154
	<b>27,999</b>	<b>26,274</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into.

In 2016/17 £109,171 contingent rents were receivable by the Authority (£104,391 in 2015/16).

The Authority also holds various capital assets, principally vehicles, plant and office equipment financed under the terms of operating leases and accounted for as such, the rentals being charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement.

#### 6.43 Impairment Losses

An assessment has been made at the year end which indicates that there are no instances of impairment to the Authority's assets.

#### 6.44 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016-17 Carmarthenshire County Council paid £10.10m to the Department for Education in respect of teachers' pension costs, which represents 16.48% of teachers and lecturers pensionable pay. The figures for 2015-16 were £9.63m and 16.48%. There were no contributions remaining payable at year-end. The contributions due to be paid in the next financial year are estimated to be £10.2m.

In addition, the County Council is responsible for all pension payments relating to added years it has awarded together with the related increases. In 2016-17 these amounted to £0.442m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. These benefits are fully accrued in the pensions liability described above.

#### **6.45 Defined Benefit Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments. Liabilities for these payments need to be disclosed at the time employees earn their future entitlement.

The Dyfed Pension Fund (the Fund) is a member of the Local Government Pension Scheme (LGPS). It is administered by Carmarthenshire County Council and is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Dyfed Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Dyfed Pension Fund Panel. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Panel and are advised by an Independent Investment Adviser and officers of Carmarthenshire County Council.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

#### **Discretionary Post-retirement Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

#### **Transactions relating to Post-employment benefits**

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	2015-16 £'000	2016-17 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	28,207	26,294
Past Service Costs	18	271
Settlements and Curtailments	3,838	1,365
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	9,185	9,687
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	41,248	37,617
<b>Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets	34,687	(163,781)
Experience gain on liabilities	0	(17,482)
Actuarial gains and losses arising on changes in demographic assumptions	0	(16,312)
Actuarial gains and losses arising on changes in financial assumptions	(63,159)	280,943
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	12,776	120,985
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for Provision of Services for Post Employment Benefits in the accordance with the code	(41,248)	(37,617)
<b>Actual amount charged against the Council Fund Balance for pensions in the year:</b>		
Employers' Contributions payable to Scheme	24,413	24,205

**Assets and Liabilities in Relation to Post-employment Benefits****Carmarthenshire County Council**

Reconciliation of present value of the scheme liabilities:

	<b>2015-16</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	(1,126,044)	(1,103,940)
Current Service Cost	(28,207)	(26,294)
Interest cost	(36,611)	(39,170)
Contributions by scheme participants	(7,220)	(7,327)
Experience gain on liabilities	0	17,482
Actuarial gains and losses arising on changes in demographic assumptions	0	16,312
Actuarial gains and losses arising on changes in financial assumptions	63,159	(280,943)
Curtailments	(3,838)	(1,365)
Benefits paid	34,839	34,068
Past service costs	(18)	(271)
Balance as at 31 March	<u>(1,103,940)</u>	<u>(1,391,448)</u>
	<b>2015-16</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	849,893	839,426
Interest on plan assets	27,994	30,174
Experience gain on assets	(34,687)	163,781
Administration expenses	(568)	(691)
Employer contributions	24,413	24,205
Contributions by scheme participants	7,220	7,327
Benefits paid	(34,839)	(34,068)
Balance as at 31 March	<u>839,426</u>	<u>1,030,154</u>
<b>Net Scheme Liabilities</b>	<b><u>(264,514)</u></b>	<b><u>(361,294)</u></b>



The Dyfed Pension Fund assets comprised:

		<u>Quoted</u>	2015-16 £'000	2016-17 £'000
Equities	UK	Yes	200,119	253,417
	Overseas Pooled Funds	No	174,013	224,574
	US	Yes	88,895	98,895
	Canada	Yes	3,190	5,151
	Japan	Yes	33,409	33,995
	Pacific Rim	No	23,504	30,905
	Emerging Markets	No	56,913	78,292
	Pooled Overseas	Yes	0	1,030
Bonds	UK Index linked	Yes	80,165	99,925
	UK Corporate	No	82,180	99,925
Property	Property Funds	No	93,512	95,804
Cash	Cash instruments	Yes	0	0
	Cash accounts	Yes	1,679	6,181
	Net current assets	No	1,847	2,060
<b>Total</b>			<b>839,426</b>	<b>1,030,154</b>

### Scheme History

	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
Present value of liabilities in the Local Government Pension Scheme	(978,044)	(926,948)	(1,126,044)	(1,103,940)	(1,391,448)
Fair value of assets in the Local Government Pension Scheme	685,882	740,531	849,893	839,426	1,030,154
<b>Surplus/(deficit) in the scheme</b>	<b>(292,162)</b>	<b>(186,417)</b>	<b>(276,151)</b>	<b>(264,514)</b>	<b>(361,294)</b>

The liabilities show the underlying commitments that the Authority has in the long-run to pay post-employment benefits. The total net liability of £361m has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy with the deficit on the Fund made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2018 is £20.4m.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, returns on investments, future inflation etc. The Fund's assets and liabilities within the Balance Sheet and the current and past service costs included within the Comprehensive Income and Expenditure Statement have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The main assumptions used in its calculations are shown below:

	2015-16	2016-17
	%	%
<b>Financial Assumptions:</b>		
Rate of CPI inflation	2.0	2.3
Rate of increase in salaries	3.50	3.80
Rate of increase in pensions	2.0	2.3
Rate for discounting Fund liabilities	3.6	2.5

	2015-16	2016-17
	%	%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	23.4	22.8
Women	25.9	25.5
Longevity at 65 for future pensioners:		
Men	25.7	25.0
Women	28.2	27.8

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

**Impact on the Defined Benefit Obligation  
of the Scheme**

	<b>Increase in assumption £'000</b>	<b>Decrease in assumption £'000</b>
Longevity (increase or decrease of 1 year)	27,757	(27,757)
Rate of inflation (increase or decrease by 0.1% p.a.)	25,625	(25,625)
Rate of increase in salaries (increase or decrease by 0.1% p.a.)	6,257	(6,257)
Rate of increase in pensions (increase or decrease by 0.1% p.a.)	25,625	(25,625)
Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.)	(25,162)	25,162

#### **6.46 Contingent Liabilities**

The Authority acts 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. The authority's legal advice is that our agreement would be found to be a *bona fide* agency agreement if challenged and as at 31<sup>st</sup> March 2017 we have not received any correspondence relating to potential claims. However, to reinforce even further that the Authority is collecting these monies as agents for Dwr Cymru and avoid the possibility of future legal challenges, the Council is currently entering into a new agreement with the water supplier which ensures that it is acting as an agent.

Whilst the Authority purchases a range of insurance cover, part of the risk remains with the Authority (see note 6.38). A number of insurance claims have been registered but not yet finalised. Where it is probable that costs will fall on the authority, expenditure has been recognised in the Comprehensive Income and Expenditure Statement and as a movement in the Insurance Provision (see note 6.21). It is possible that the Authority may incur costs relating to other registered claims or to claims that have yet to be submitted. Funds have been set aside in an Insurance Reserve (see note 6.23) for this purpose.

**6.47 Financial Instruments****Disclosure Notes for Financial Liabilities, Financial Assets and Risk****Financial Instruments Balances**

The borrowings and investments disclosed in the Balance Sheet include the following categories of financial instruments:

	<b>Long Term</b>		<b>Current</b>	
	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Financial liabilities (principal amount)	370,309	377,955	5,727	10,012
Accrued Interest	0	0	3,286	3,191
Other accounting adjustments	116	116	0	0
Financial liabilities at amortised cost				
<b>Total borrowings</b>	<b>370,425</b>	<b>378,071</b>	<b>9,013</b>	<b>13,203</b>
Loans and receivables (principal amount)	630	584	8,020	22,046
Accrued Interest	151	148	18	109
Loans and receivables at amortised cost	781	732	8,038	22,155
Unquoted equity investment at cost	329	329	0	0
<b>Total investments</b>	<b>1,110</b>	<b>1,061</b>	<b>8,038</b>	<b>22,155</b>
Soft loans provided (Note i)	1,190	1,268	0	0

- (i) The Council made a loan to the National Botanic Garden of Wales at less than market rates (soft loans). This loan is for £1.35m at 0% interest and was awarded in 2015/16 with the expectation it will be repaid in 2017/18. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed soft loans information is as follows:

	<b>Soft Loans</b>	
	<b>31-Mar-16</b>	<b>31-Mar-17</b>
Opening Balance	0	1,190
+ New loans granted	1,350	0
- Fair value adjustment	232	0
+ Loans repaid	72	78
<b>Balance carried forward</b>	<b>1,190</b>	<b>1,268</b>
<b>Nominal value carried forward</b>	<b>1,350</b>	<b>1,350</b>

### Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing, 5%, and adding an allowance for the risk that the loan might not be repaid.

### Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	<b>Financial Liabilities</b>		<b>Financial Assets</b>			
	<b>Liabilities measured at amortised cost</b>		<b>Loans and Receivables</b>		<b>Totals</b>	
	<b>2015-16</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest expense	(17,639)	(17,636)	0	0	(17,639)	(17,636)
Impairment Losses	0	0	0	0	0	0
<b>Interest payable and similar charges</b>	<b>(17,639)</b>	<b>(17,636)</b>	<b>0</b>	<b>0</b>	<b>(17,639)</b>	<b>(17,636)</b>
Interest Income	0	0	450	386	450	386
<b>Interest and investment income</b>	<b>0</b>	<b>0</b>	<b>450</b>	<b>386</b>	<b>450</b>	<b>386</b>
<b>Net gain/(loss) for the year</b>	<b>(17,639)</b>	<b>(17,636)</b>	<b>450</b>	<b>386</b>	<b>(17,189)</b>	<b>(17,250)</b>

### Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;

- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2016		31 March 2017	
	Carrying amount	Fair Value	Carrying amount	Fair Value
PWLB Debt	372,815	542,509	383,943	598,350
Non - PWLB debt	6,623	8,198	7,330	12,929
<b>Total Financial Liabilities</b>	<b>379,438</b>	<b>550,707</b>	<b>391,273</b>	<b>611,279</b>

The fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	31 March 2016		31 March 2017	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Money market loans < 1year	8,038	8,038	22,155	22,155
Money market loans > 1year	781	781	732	732
Total investments	8,819	8,819	22,887	22,887
Trade Debtors	12,030	12,030	17,416	17,416
<b>Total Loans and Receivables</b>	<b>20,849</b>	<b>20,849</b>	<b>40,303</b>	<b>40,303</b>

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

The fair value of Public Works Loan Board (PWLB) loans of £598.350m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, the PWLB redemption interest rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB, the PWLB Certainty rates. If a value is calculated on this basis, the carrying amount of £383.943m would be valued at £513.199m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £598.350m, comprising £380.816m principal; £3.127m accrued interest and a penalty of £214.407m.

## **Disclosure of nature and Extent of Risk Arising from Financial Instruments**

### **Key Risks**

The Authority's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

### **Overall Procedures for Managing Risk**

The Authority's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Revised editions of the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice in 2009 and 2011.
- by the adoption of a Treasury Policy Statement and treasury management clauses;

- by approving annually in advance prudential indicators for the following three years limiting:
  - The Authority's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures of the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management policy and strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported quarterly to Members. These policies are implemented by the Treasury and Pension Investments Section.

The annual Treasury Management strategy which incorporates the prudential indicators was approved by Council on 23<sup>rd</sup> February 2016 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £524m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £477m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £445m and £20m based on the Council's net debt.

The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

## **Credit Risk**

### **Investments**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the Annual Investment Strategy (which forms part of the Authority's Treasury Management Policy and Strategy Report), which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Treasury Management Policy and Strategy report also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.



The Council's Schedule of Approved Counterparties shows the minimum criteria for investment counterparties. This is as follows:

- An Upper Limit where Credit ratings of Short Term of F1, P-1 or A-1 apply together with Credit Ratings for Long Term AA-, Aa3 and AA-.  
Maximum Investment of £10m.
- A Middle Limit where Credit ratings of Short Term of F1, P-1 or A-1.  
Maximum Investment £7m.
- UK Banks Part Nationalised included as investment counterparties, as long as they continue to have appropriate UK Government support  
Maximum Investment £7m
- Other Limits
  - Local Authority. Maximum Investment £10m
  - AAA Rated Money Market Fund. Maximum Investment £5m
  - Debt Management Office £40m

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £23k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but excepting the £4m KSF deposit (detailed at the end of this note), there was no evidence at the 31 March 2017 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount at 31 March 2017 £'000	Historical Experience of default %	Adjustment for market conditions at 31 March 2017 %	Estimated maximum exposure to default £'000
<u>Deposits with banks and financial institutions</u>				
AAA rated counterparties	15,000	0.00	0.00	0
AA rated counterparties	5,000	0.01	0.03	1
A rated counterparties	15,000	0.07	0.08	12
BBB rated counterparties	5,000	0.15	0.19	10
Trade debtors	17,416	3.50	3.50	610
	<b>57,416</b>			<b>633</b>

The investment of £0.63m in Kaupthing, Friedlander and Singer (KSF) has been excluded from the above figures with full details being provided at the end of this note.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any other losses from non-performance by any of its counterparties in relation to deposits and bonds.

### Trade Debtors

The trade debtors figure of £17.416m shown above includes £9.284m which is past its due date for payment. The past due amount can be analysed by age as follows:

	31st March 2016 £'000	31st March 2017 £'000
Less than three months	1,547	2,247
Three to six months	830	840
Six months to one year	991	1,434
More than one year	4,548	4,763
	<b>7,916</b>	<b>9,284</b>

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31<sup>st</sup> March 2017 was £718k.

### Liquidity Risk

The Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury management policy and strategy), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

### Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury management policy and strategy addresses the main risks and the treasury management team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is shown below together with the maximum and minimum exposures.

	2015 -2016			2016 -2017		
	Approved	Approved	31st March	Approved	Approved	31st March
	Maximum	Minimum	2016	Maximum	Minimum	2017
	Limit	Limit	£'000	Limit	Limit	£'000
	%	%		%	%	
Less than one year	15	0	9,013	15	0	13,203
Between one and two years	25	0	9,970	25	0	7,029
Between two and five years	50	0	24,668	50	0	23,857
Between five and ten years	50	0	41,348	50	0	42,978
More than ten years	100	25	294,439	100	25	304,206
			<b>379,438</b>			<b>391,273</b>

The maturity analysis of financial assets is as follows:

	2015-2016	2016-2017
	£'000	£'000
Less than one year	8,038	22,155
Greater than one year	781	732
	<b>8,819</b>	<b>22,887</b>

All trade and other payables are due to be paid in less than one year and trade debtors of £17.416m are not shown in the table above.

### Market Risk

**Interest rate risk** - The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;

- borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the Council Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movements in Reserves Statement, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Policy and Strategy Report and the 3 year Capital Programme Report draws together the Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(356)
Increase in Government grant receivable for financing costs	(155)
Impact on Surplus or Deficit on the Provision of Services	(511)
Share of overall impact debited to the HRA*	235
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	<b>(276)</b>
 Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	 <b>88,420</b>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

**Price risk** - The Authority, excluding the pension fund, does not invest in equity shares. It therefore has no exposure to loss arising from movements in price.

**Foreign exchange risk** - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

### Kaupthing Singer and Friedlander Ltd (KSF)

Early in October 2008, the Icelandic bank Kaupthing collapsed and the UK subsidiary of the bank, Kaupthing Singer and Friedlander went into administration. The Authority had £4m deposited, with varying maturity dates and interest rates.

The Authority made a provision in 2008/09 in respect of the expected future impairment in anticipation of the regulations ceasing on 31 March 2017 and the Council Fund bearing the impact of the impairment. During 2016-17 £21k of the provision has been released and £781k is being maintained as a contingency against future changes. This figure is made up of £630k principal and £151k interest.

All money within this institution is currently subject to the administration and receivership process. The amounts and timing of payments to depositors such as the Authority will be determined by the administrators/receivers.

For Kaupthing, Singer & Friedlander Ltd a total repayment of £3.370m principal and £207k interest was received (84.25%) to 2016-17. An estimated further 2.0% is expected to be received, taking total dividends expected to be paid to 86.25%.

The current position on actual payments received and estimated future payouts is as shown in the table.

Date	Repayment
Received to date	84.25%
Qtr 1 2017-18	0.90%
Qtr 3 2017-18	0.25%
Qtr 4 2018-19	0.85%

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 7<sup>th</sup> October 2008.

**6.48 Burry Port Harbour**

Carmarthenshire County Council has been given a range of statutory powers and duties for the purposes of improving, maintaining and managing the Burry Port harbour through the Burry Port Harbour Revision Order 2000. In accordance with the Harbours Act 1964, statutory harbour authorities are required to prepare annual statement of accounts relating to the harbour activities. Currently, the harbour activities are included in the Authority's statement of accounts, with the relevant figures being:

2015-16		2016-17
£'000	<u>Expenditure</u>	£'000
34	Employee Costs	43
28	Premises Related Costs	23
0	Transport Related Costs	0
78	Supplies and Services	65
35	Central Recharges	55
5	Divisional and Departmental Recharges	0
170	Capital Costs	170
<b>350</b>	<b>Total Expenditure</b>	<b>356</b>
	<u>Income</u>	
(119)	Fees and Costs Recoverable	(99)
(1)	Other Income	(2)
<b>(120)</b>	<b>Total Income</b>	<b>(101)</b>
<b>230</b>	<b>Net Cost</b>	<b>255</b>

2015-16		2016-17
£'000	<u>Assets held:</u>	£'000
3,223	Infrastructure, Land & Buildings	3,143
737	Plant / Vehicles / Equipment	670
0	Assets Under Construction	55
<b>3,960</b>		<b>3,868</b>

A separate annual income and expenditure account and statement of balances has been prepared for Burry Port Harbour as required under the 'smaller body' threshold as defined by the Accounts and Audit (Wales) Regulations 2014. The separate statement is available from the Head of Financial Services, Corporate Services Department, County Hall, Carmarthen, SA31 1JP.

**6.49 Reconciliation of Net Deficit to Net Cashflows from Operating Activities**

2015-16 £'000	2016-17 £'000
(219,055) Surplus/(Deficit) for Year:	(22,160)
37,764 Depreciation	41,489
136,147 Impairment & Downward Valuations	8,745
(7,091) Increase/(Decrease) in Creditors	2,182
5,635 (Increase)/Decrease in Debtors	(3,404)
60 (increase)/Decrease in Inventories	29
(16,835) Movement in Pension Liability	(13,412)
92,519 Other non-cash transactions	13,335
<b><u>29,144</u> Net Cash Flow from Operating Activities</b>	<b><u>26,804</u></b>

**6.50 Prior Period Adjustments****Comprehensive Income and Expenditure Statement****Comparator Restatement**

The Code now requires the service analysis in the Comprehensive Income and Expenditure Statement to be based on the organisational structure under which the Council operates and manages its services. Previously the presentation was based on the service expenditure analysis set out in CIPFA's Service Reporting Code of Practice for Local Authorities (SeRCOP). The 2015/16 comparative figures have been restated to reflect this change. There is no net impact on the Cost of Services, and the restatement only affects the Comprehensive Income and Expenditure Statement.

**Surpluses/Deficits on Trading Activities not included in Net Cost of Services**

This category was previously included under Financing and Investment Income and Expenditure but has been moved to Other Operating Expenditure.

**6.51 Accounting Standards that have been issued but have not yet been adopted.**

Where a new Standard has been published but has not yet been adopted by the Code, the Authority is required to disclose information relating to the impact of the accounting change. The changes that are introduced in the 2017/18 Code are:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration.

It is not anticipated that the above amendments will have a material impact on the information provided in the council's financial statements

**7 HOUSING REVENUE ACCOUNT (HRA)****7.1 HRA Income and Expenditure Statement**

2015-16 £'000		Note	2016-17 £'000
<b>Expenditure</b>			
	Repairs and Maintenance		
2,158	- Responsive		2,431
4,102	- Planned/Cyclical		4,635
2,674	- Voids		2,677
6,698	Supervision and Management		6,798
1,354	Central Support Charges		1,265
279	Rents, Rates Taxes and other charges		272
258	Movement in the allowance for Bad Debts		223
145,663	Depreciation and Impairment of non current assets	8.11	15,624
	Revenue Expenditure funded from Capital under		
78,992	Statute		9
62	Debt Management Costs		34
<u>242,240</u>	<b>Total Expenditure</b>		<u>33,968</u>
<b>Income</b>			
(34,971)	Dwelling rents	8.1	(36,229)
(93)	Non-Dwelling Rents		(109)
6	Leaseholders	8.2	(28)
(937)	Service Fees	8.2	(740)
(135)	Grants	8.6	(135)
(622)	Other Income		(499)
(492)	Commission - Water Rates	8.7	(520)
<u>(37,244)</u>	<b>Total Income</b>		<u>(38,260)</u>
<b>Net cost of HRA Services as included in the</b>			
<b>204,996</b>	<b>Comprehensive Income &amp; Expenditure Statement</b>		<b>(4,292)</b>
283	HRA services' share of Corporate and Democratic Core		283
<b>205,279</b>	<b>Net (Income)/cost for HRA Services</b>		<b>(4,009)</b>
<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
14	(Gain) or loss on the sale of HRA Non Current Assets		21
9,942	Interest Payable and similar charges		9,681
(56)	Interest and Investment Income		(49)
194	Net interest on the net defined benefit liability (asset)		224
<u>(6,457)</u>	Capital grants and contributions receivable		<u>(6,228)</u>
<u><b>208,916</b></u>	<b>(Surplus) or Deficit for the year on HRA Services</b>		<u><b>(360)</b></u>



**7.2 Movement on the HRA Statement**

The overall objectives for Movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2015-16 £'000		Note	2016-17 £'000	2016-17 £'000
(10,662)	Balance on the HRA at the end of the previous year			(9,120)
208,916	(Surplus) or deficit for the year on the HRA Income and Expenditure Account		(360)	
(207,414)	Adjustments between accounting basis and funding basis under statute	7.3	(4,825)	
1,502	Net Increase or (decrease) before transfers to or from reserves		(5,185)	
40	Transfers (to) or from reserves	7.4	294	
1,542	(Increase) or decrease in year on the HRA			(4,891)
<b>(9,120)</b>	<b>Balance on the HRA at the end of the current year</b>			<b>(14,011)</b>

**7.3 Adjustments between accounting basis and funding basis under statute**

2015-16 £'000		2016-17 £'000
(33)	Amortisation of Premiums and Discounts	(52)
(6)	Transfers to / (from) Accumulated Absences Account	(6)
(14)	Gain or loss on sale of HRA noncurrent assets	(30)
(341)	HRA share of contributions to or from the Pensions Reserve	(330)
8,493	Capital expenditure funded by the HRA	782
(215,513)	Transfer to / from the Capital Adjustment Account	(5,189)
<b>(207,414)</b>		<b>(4,825)</b>

**7.4 Transfers to or (from) Earmarked Reserves**

2015-16			2016-17		
£'000	£'000	£'000	£'000	£'000	£'000
Trfs from	Trfs to	Net	Trfs from	Trfs to	Net
211	(213)	(2)	274	(26)	248
41	0	41	41	0	41
1	0	1	5	0	5
<b>253</b>	<b>(213)</b>	<b>40</b>	<b>320</b>	<b>(26)</b>	<b>294</b>

**8 NOTES TO THE HRA INCOME AND EXPENDITURE STATEMENT****Introduction**

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ringfenced from the rest of the Council Fund, so that rents cannot be subsidised from council tax (or vice versa).

**8.1 Gross Rent Income**

This is the total rent income due for the year after allowance is made for voids etc. For 2016-17 this totalled £36.2m (£35m for 2015-16). At the 31<sup>st</sup> March 2017 1.99% of lettable properties were vacant (2.17% in 2015-16). Average rents were £78.79 a week in 2016-17 (£76.30 in 2015-16).

**8.2 Service Charges and Leaseholders**

This represents the income of the Authority from charges for services and facilities etc in connection with the provision of houses and other property within the HRA – This totalled £768k in 2016-17 (£937k in 2015-16).

**8.3 Rebates**

Assistance with rents is available under the Housing Benefit Scheme for those on low incomes. This totalled £22m in 2016-17 (£21.6m for 2015-16). 64.9% of the Council's tenants receive some help with the cost of rent and Council Tax (65.3% in 2015-16).

**8.4 Housing Stock**

The Council was responsible for managing on average 9,019 dwellings during 2016-17 (8,993 in 2015-16). The stock at 31 March 2017 was as follows:

	2015-16	2016-17
Houses	4,858	4,887
Flats / Maisonettes / Bedsits	1,970	1,967
Bungalows	2,174	2,181
	<b>9,002</b>	<b>9,035</b>

The change in stock can be summarised as follows:

	2015-16	2016-17
Opening Stock as at 1 April	8,983	9,002
Sales	(4)	0
Demolitions/Deactivated	0	0
New Building/Acquisitions/Conversions	23	33
Closing Stock as at 31 March	<b>9,002</b>	<b>9,035</b>

**8.5 Rent Arrears**

	As at 31 March 2016 £'000	As at 31 March 2017 £'000
Arrears	2,115	1,887
Arrears as a Percentage of Gross Rent Income	5.93%	5.11%

There is a 0.5% year on year decrease of current tenants rent arrears as a percentage of gross collectable rent debit. Performance is outside margins of what is considered good practice level (2%) at 2.61%. There is a 0.32% year on year decrease in former tenants rent arrears as a percentage of gross collectable rent debit however allowing for the £331k write-offs there is a 0.6% improvement in performance.

Provision for Bad Debts at 31 March 2017 was £995,446 for rent (£1,050,633 inclusive of water rates). The comparative figures for 2015-16 are £1,052,587 for rent (£1,158,599 inclusive of water rates).

**8.6 Grants**

Supporting People Grant £135k (£135k in 2015-16) was received from the Welsh Government during 2016-17 as a result of the de-pooling of tenants support service costs.

**8.7 Commission**

The Authority collects water rates on behalf of Dwr Cymru Welsh Water and receives commission on the monies due. In 2016-17 this amounted to £520k (£492k in 2015-16) net of void loss on properties. The value of water rates was £3.8m in 2016-17 (£3.8m in 2015-16).

**8.8 Capital Expenditure**

Capital Expenditure in 2016-17 on HRA land and dwellings totalled £14.851m (£15.269m in 2015-16). £78.969m was also spent on exiting the Housing Revenue Account Subsidy system in 2015/16. The agreement to exit also placed a limit on the borrowing we could undertake in relation to our HRA activities.

	2015-16 £'000	2016-17 £'000
<b>Funded by :</b>		
Major Repairs Allowance	6,166	6,170
Borrowing	78,969	7,660
Capital Receipts - Sales of Dwellings/Land	316	175
Grants	194	11
Capital Receipts - Mortgage Principal	2	6
Miscellaneous Income	98	47
Direct Revenue Financing	8,493	782
	<b>94,238</b>	<b>14,851</b>
<b>Spent on:</b>		
Houses	94,238	14,145
Land	0	477
Other	0	229
	<b>94,238</b>	<b>14,851</b>

**8.9 Capital Receipts**

Capital Receipts in 2016-17 totalled £0.115m (£0.4m in 2015-16). The table below shows the type of receipt and how much was used to finance capital expenditure and how much was used to repay debt.

	Financing Expenditure 2015-16 £'000	Repayment of Debt 2015-16 £'000	Total 2015-16 £'000	Financing Expenditure 2016-17 £'000	Repayment of Debt 2016-17 £'000	Total 2016-17 £'000
Sales of Council Dwellings	17	118	135	59	0	59
Sale of Land	300	0	300	43	0	43
Mortgage Principal	2	5	7	1	4	5
Other	0	0	0	8	0	8
	<b>319</b>	<b>123</b>	<b>442</b>	<b>111</b>	<b>4</b>	<b>115</b>

**8.10 IAS19 Accounting For Pensions Costs**

Actual deductions for pensions contributions and any adjustment for current service cost are shown in the net cost of service. Net interest costs are included in the surplus/deficit on HRA services and then adjusted in the Movement in Reserves Statement, to ensure that only prescribed statutory debits/credits calculated in accordance with the LG&H act 1989 are applied to the HRA.

The following transactions have been made during the year:

	2015-16 £'000	2016-17 £'000
<b><u>HRA Income &amp; Expenditure Statement</u></b>		
<b>Cost of Service:</b>		
Current Service Cost	599	608
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Cost	776	905
<b>Total Post Employment Benefit charged to the Surplus or (Deficit) for the year on HRA Services</b>	<b>1,375</b>	<b>1,513</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the Surplus or (Deficit) for the year on HRA Services for Post Employment Benefits in the accordance with the code	(794)	(832)
<b>Actual amount charged against the HRA Balance for pensions in the year:</b>		
Employers' Contributions payable to Scheme	453	502
	<b>(341)</b>	<b>(330)</b>

**8.11 Depreciation**

Authorities are required to charge depreciation and impairment losses on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. There is no specification in the Item 8 Determination that depreciation should be debited to the HRA Income and Expenditure Statement (or equally that it should be reversed out in the Statement of Movement on the HRA Balance). However, it has become generally accepted since the introduction of resource accounting into the HRA in 2005/06 that statutory requirements can be satisfied on a 'no net impact' basis - debits and credits expected by proper practices (but not specified in legislation) can be made to the HRA provided that they are subsequently reversed out and replaced by statutory amounts in the calculation of the HRA Balance.

Depreciation and Impairment losses have therefore been debited to the Income and Expenditure Statement in accordance with the general provisions of the Code and reversed out in the Movement on the HRA Balance. The depreciation charge has then been replaced with the HRA Minimum Revenue Provision via a credit from the Capital Adjustment Account to avoid having an effect on rent levels.

HRA dwellings are revalued on a 5 year cycle, which was last undertaken on the 1 April 2015.

Depreciation and Impairment Losses:

	<b>2015-16</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation on dwellings	11,174	11,185
Revaluation losses & impairments	134,489	4,439
	<b><u>145,663</u></b>	<b><u>15,624</u></b>

Revaluation losses and impairments were incurred on:

	<b>2015-16</b>	<b>2016-17</b>
	<b>£'000</b>	<b>£'000</b>
Houses	134,489	4,000
Land	0	46
Other	0	393
	<b><u>134,489</u></b>	<b><u>4,439</u></b>

## 9 DYFED WELSH CHURCH FUND ACCOUNT

The Dyfed Welsh Church Fund is a scheme that mainly awards grants towards the costs of maintaining places of worship. However, registered charities which benefit residents may apply for help towards running costs, or the cost of a specific project or purchasing a piece of equipment. Besides nationally recognised charities, the Fund supports local charities responsible for providing recreational facilities or other services which are of benefit to the Community.

At Local Government Reorganisation 1996 the fund was split among the new Unitary Authorities with the amount available to each new authority being calculated on the following agreed percentages:

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

It was agreed that Carmarthenshire County Council would take responsibility for administering the investment portfolio.

The following accounts provide a report of the financial transactions during the year and the disposition of its assets at the year end for the Fund in total, that is administered by Carmarthenshire County Council and then the second set of accounts details Carmarthenshire County Council's share of the Dyfed Welsh Church Fund when the LGR percentage split has been applied.

### 9.1 Fund Accounts administered by Carmarthenshire County Council

#### Revenue Account

2015-16 £'000 31/03/16		2016-17 £'000 31/03/17
	<b>Income</b>	
(14)	Rent of Buildings/Land	(14)
(72)	Investment Income	(72)
(6)	Other Income	(2)
<u>(92)</u>		<u>(88)</u>
	<b>Expenditure</b>	
195	Grants to Voluntary & Other Organisations	110
17	Management and Administration	17
0	Professional Fees	4
<u>120</u>		<u>43</u>
	<b>Revenue Account (Surplus)/Deficit for the Year</b>	
(39)	Net Profit on Sales of Investments	(46)
162	Change in unrealised (Gains)/Losses on investments	(571)
0	Change in unrealised (Gains)/Losses on Non- Current Assets	0
<u>243</u>		<u>(574)</u>
	<b>Net (Surplus)/Deficit for the Year</b>	

**Net Assets Statement**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
<b>31/03/16</b>		<b>31/03/17</b>
3,195	Investments	3,733
950	Other Land & Buildings	950
<u>4,145</u>		<u>4,683</u>
0	Debtors	0
729	Cash	692
(213)	Creditors	(140)
<u>4,661</u>	<b>Net Assets</b>	<u>5,235</u>
	<b>Represented by</b>	
431	Capital Adjustment Account	431
500	Revaluation Reserve	500
2,229	Capital Fund	2,197
516	Revenue Fund	552
985	Unrealised Profit/(Loss) Reserve	1,555
<u>4,661</u>	<b>Closing Balance of Fund</b>	<u>5,235</u>

**Reconciliation of the Movement in Fund Net Assets**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
4,904	Opening Net Assets	4,661
(120)	Revenue Account Surplus/(Deficit) for the Year	(43)
38	Net Profit on Sale of Investments	46
(161)	Unrealised Profit/(Loss) Reserve - Investments	571
0	Unrealised Profit/(Loss) Reserve - Non-Current Assets	0
<u>4,661</u>	<b>Closing Net Assets of the Fund</b>	<u>5,235</u>

## 9.2 **Fund Accounts for Carmarthenshire County Council** **Revenue Account**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
<b>31/03/16</b>		<b>31/03/17</b>
	<b>Income</b>	
(6)	Rent of Buildings/Land	(6)
(28)	Investment Income	(29)
(6)	Other Income	0
<u>(40)</u>		<u>(35)</u>
	<b>Expenditure</b>	
122	Grants to Voluntary & Other Organisations	45
6	Management & Administration	6
0	Professional Fees	1
<u>88</u>		<u>17</u>
	<b>Revenue Account (Surplus)/Deficit for the Year</b>	
(15)	Net Profit on Sales of Investments	(19)
66	Change in unrealised (Gains)/Losses on Investments	(234)
0	Change in unrealised (Gains)/Losses on Non-Current Assets	0
<u>139</u>		<u>(236)</u>
<u><b>139</b></u>	<b>Net (Surplus)/Deficit for the Year</b>	<u><b>(236)</b></u>

### **Net Assets Statement**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
1,310	Investments	1,531
389	Other Land & Buildings	389
<u>1,699</u>		<u>1,920</u>
0	Debtors	0
185	Cash	137
(149)	Creditors	(86)
<u>1,735</u>		<u>1,971</u>
<u><b>1,735</b></u>	<b>Net Assets</b>	<u><b>1,971</b></u>
	<b>Represented by</b>	
177	Capital Adjustment Account	177
205	Revaluation Reserve	205
914	Capital Fund	901
35	Revenue Fund	51
404	Unrealised Profit/(Loss) Reserve	637
<u>1,735</u>		<u>1,971</u>
<u><b>1,735</b></u>	<b>Closing Balance of Fund</b>	<u><b>1,971</b></u>



**Reconciliation of the Movement in Fund Net Assets**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
1,874	Opening Net Assets	1,735
(88)	Revenue Account Surplus (Deficit) for the Year	(17)
15	Net Profit on Sales Reinvested	19
(66)	Unrealised Profit/(Loss) Reserve - Investments	234
0	Unrealised Profit/(Loss) Reserve - Non-Current Assets	0
<u>1,735</u>	<b>Closing Net Assets of the Fund</b>	<u>1,971</u>

**10 TRUST FUNDS 2016-2017****10.1 Receipts & Payments Account for the Year Ended 31 March 2017**

Total		Education Services	Social Services	Cultural Services	Total
2015-16		2016-17	2016-17	2016-17	2016-17
£'000		£'000	£'000	£'000	£'000
	<b>Receipts</b>				
(283)	Dividends/Interest/Sales/Contributions	(106)	(4)	(199)	(309)
305	<b>Payments</b>	101	5	170	276
<u>22</u>	<b>(Surplus)/Deficit</b>	<u>(5)</u>	<u>1</u>	<u>(29)</u>	<u>(33)</u>

**10.2 Balance Sheet as at 31 March 2017**

Total		Education Services	Social Services	Cultural Services	Total
2015-16		2016-17	2016-17	2016-17	2016-17
£'000		£'000	£'000	£'000	£'000
	<b>Assets</b>				
263	Investments	239	24	0	263
19	Stocks	0	0	17	17
1	Debtors	0	0	0	0
538	Cash	275	59	238	572
<u>821</u>	<b>Total Assets</b>	<u>514</u>	<u>83</u>	<u>255</u>	<u>852</u>
	<b>Liabilities</b>				
(3)	Creditors	0	0	(1)	(1)
<u>(3)</u>	<b>Total Liabilities</b>	<u>0</u>	<u>0</u>	<u>(1)</u>	<u>(1)</u>
<u>818</u>	<b>NET ASSETS</b>	<u>514</u>	<u>83</u>	<u>254</u>	<u>851</u>

Investments are shown at Book Value, however their Market Value as at 31<sup>st</sup> March 2017 was £824,727 (£720,125 as at 31<sup>st</sup> March 2016).

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**11 NOTES TO THE TRUST FUNDS****11.1 Background**

Carmarthenshire County Council is currently responsible for the administration of sixty separate trust funds.

**11.2 Education Services**

The Council administers fifty one education related trusts, the majority of which are registered charities. The breakdown of the purposes for which the education trusts were established is as follows:

Prizes to Pupils in recognition of Academic Achievement	16
Provision of Further and or Higher Education Scholarships	18
School Funding ( <i>including special needs schools</i> )	10
Other	7

**11.3 Cultural Services**

The Council administers two cultural trust funds, one which was established specifically for the funding of an art gallery at "Oriol Myrddin", Carmarthen and one for Carmarthen Museum known as "George Arbour Stephens Trust Fund."

**11.4 Social Services**

During the financial year the Council was responsible for the administration of seven trusts on behalf of social services clients. Five are for the benefit of residents at specific residential homes throughout the County. Two relate to funds administered on behalf of individuals. Owing to the sensitive nature of these two trusts and the need to maintain privacy, details about the purpose for which each is administered is not published.

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**12 SOCIAL CARE / CHILDREN'S SERVICES – SAFEKEEPING, SAFE CUSTODY, AMENITY FUNDS & STAFF BENEFIT ACCOUNTS****12.1 Residents Safekeeping**

People in residential homes are allowed a personal allowance payable to them each week. If the resident does not wish to spend all of this allowance in any given week, the balance is paid into the Residents Safekeeping account. The balance as at 31<sup>st</sup> March 2017 was £303,797 (£341,392 as at 31<sup>st</sup> March 2016) and this reflects the amount of personal allowances held by the Authority on behalf of its residents.

**12.2 Safe Custody Accounts**

The Communities Department maintains individual Safe Custody accounts for service users living in the community who are unable to deal with their financial affairs due to their mental incapacity. The Director of Communities is appointee with The Department of Work and Pensions for each of these service users. The balance as at 31<sup>st</sup> March 2017 was £957,141 (£1,043,271 as at 31<sup>st</sup> March 2016) and this reflects the amount of money held by the Authority on behalf of its service users.

**12.3 Amenity Funds**

Amenity funds represent funds held on behalf of establishments such as day centres and residential homes. Payments are for items purchased for the benefit of residents and clients of these establishments and the income is generated from donations and gifts etc from families of clients and bequests from the estates of deceased clients. The balance as at 31<sup>st</sup> March 2017 was £82,753 (£74,717 as at 31<sup>st</sup> March 2016).

Amenity funds also represent funds held on behalf of establishments such as childrens centres/playgroups. Payments are for items purchased for the benefit of residents and clients of these establishments and the income is generated from donations and gifts etc from families of clients and bequests from the estates of deceased clients. The balance as at 31<sup>st</sup> March 2017 was £5,453 (£2,298 as at 31<sup>st</sup> March 2016).

**12.4 Staff Benefit Accounts**

Staff Benefit Accounts represent funds held on behalf of staff working within particular establishments. Income is derived from donations received from families of clients and bequests from the estate of deceased clients. Payments are for items that benefit all staff working in a particular establishment. The balance as at 31<sup>st</sup> March 2017 was £7,846 (£8,431 as at 31<sup>st</sup> March 2016).

**13 DYFED PENSION FUND STATEMENT OF ACCOUNTS****NARRATIVE REPORT**

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2016-17. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the "Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice (Revised May 2007) published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

For readers with a more detailed or specialist interest of the operation of the Dyfed Pension Fund during 2016-17, reference should be made to the Annual Report and Accounts 2016-17 (when published).

The main accounts and reports contained within this Statement of Accounts are as follows:

- The Fund Account
- The Net Assets Statement
- The Statement by the Consulting Actuary

**Fund Account for the Year Ended 31 March 2017**

<b>2015-16</b> <b>£'000</b> <b>(Restated)</b>		<b><u>Note</u></b>	<b>2016-17</b> <b>£'000</b>
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
	Contributions		
	Employer		
36,503	Normal		36,980
7,082	Augmentation		7,125
7,508	Past Service Deficit		7,951
	Member		
17,484	Normal		17,739
177	Additional voluntary		76
1,986	Transfers in from other pension funds	13.6	1,889
<u>70,740</u>			<u>71,760</u>
	Benefits payable		
(59,798)	Pensions payable		(61,761)
(13,392)	Commutation and lump sum retirement benefits		(13,099)
(1,400)	Lump sum death benefits		(1,834)
(4,027)	Payments to and on account of leavers	13.7	(3,452)
<u>(78,617)</u>			<u>(80,146)</u>
<b>(7,877)</b>	<b>Net Additions (Withdrawals) from dealings with Members</b>		<b>(8,386)</b>
(7,015) *	Management Expenses	13.8	(7,371)
<b>(14,892)</b>	<b>Net Additions (Withdrawals) including fund management expenses</b>		<b>(15,757)</b>
	<b>Returns on Investments</b>		
29,828 *	Investment Income	13.9	31,508
(32)	Taxes on Income (Irrecoverable Withholding Tax)	13.10	(47)
	Changes in the market value of investments		
(78,090)	Unrealised	13.11.2	374,710
49,974	Realised	13.11.3	52,245
<u>1,680</u>	<b>Net Return on Investments</b>		<u>458,416</u>
<b>(13,212)</b>	<b>Net Increase (Decrease) in the net assets available for benefits during the year</b>		<b>442,659</b>
1,913,621	Opening Net Assets of Scheme		1,900,409
<u><b>1,900,409</b></u>	<b>Closing Net Assets of Scheme</b>		<u><b>2,343,068</b></u>

\*2015-16 Re-stated in accordance with CIPFA Management Costs guidance

**Net Assets Statement**

<b>31/03/16</b>		<b>Note</b>	<b>31/03/17</b>
<b>£'000</b>			<b>£'000</b>
1,894,613	Investment Assets		2,330,544
1,715	Cash deposits		4,880
(948)	Investment liabilities		(246)
<u>1,895,380</u>		13.11.1	<u>2,335,178</u>
9,227	Current assets	13.16	11,164
(4,198)	Current liabilities	13.17	(3,274)
<u>5,029</u>	Net Current Assets/(Liabilities)		<u>7,890</u>
<u><b>1,900,409</b></u>	<b>Total Net Assets</b>		<u><b>2,343,068</b></u>

**Reconciliation of the Movement in Fund Net Assets**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
1,913,621	Opening Net Assets	1,900,409
14,904	Net New Money Invested	15,704
(28,116)	Profit and losses on disposal of investments and changes in the market value of investments	426,955
<u><b>1,900,409</b></u>	<b>Closing Net Assets of Fund</b>	<u><b>2,343,068</b></u>

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**NOTES TO THE PENSION FUND ACCOUNTS****13.1 Description of the Fund**

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Carmarthenshire County Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report and Accounts 2016-17 (when published) and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

**13.1.1 General**

The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Scheme Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016 .

It is a contributory defined pension scheme administered by Carmarthenshire County Council to provide pensions and other benefits for pensionable employees of Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council and a range of other scheduled and admission bodies within the former Dyfed geographical area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Dyfed Pension Fund Panel (the Panel).

**13.1.2 Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Dyfed Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.



There are 67 employer organisations within the Dyfed Pension Fund as at 31<sup>st</sup> March 2017 and these are detailed in Note 13.21. The membership details of these organisations are summarised below:

<b>31/03/16</b>		<b>31/0317</b>
18,970	Number of active contributors in the Fund	19,052
11,462	Number of pensioners	12,003
14,499	Number of deferred pensioners	14,904
<b><u>44,931</u></b>	<b>Total membership</b>	<b><u>45,959</u></b>
49	Number of employers with active members	50

These figures reflect the recorded position as at 31<sup>st</sup> March 2017 but are always subject to some movement post year end for notifications from employing bodies received after this date.

### 13.1.3 **Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2013. Currently, employer contribution rates range from 7.4% to 27.7% of pensionable pay as detailed in Note 13.21.

### 13.1.4 **Benefits**

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	<b>Service pre 1 April 2008</b>	<b>Service post 31 March 2008</b>
<b>Pension</b>	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
<b>Lump Sum</b>	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1<sup>st</sup> April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. Accrued pension is uprated annually in line with the Consumer Price Index (CPI).

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. For more details, please refer to the Dyfed Pension Fund website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk)

### **13.2 Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2016-17 financial year and its position at year end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

### **13.3 Summary of significant accounting policies**

#### **Fund Account – revenue recognition**

#### **13.3.1 Contributions**

Normal contributions, both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

#### **13.3.2 Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

### 13.3.3 **Investment income**

#### 13.3.3.1 **Interest income**

Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

#### 13.3.3.2 **Dividend income**

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a financial asset.

#### 13.3.3.3 **Distributions from pooled funds**

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a financial asset.

#### 13.3.3.4 **Movement in the net market value of investments**

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

### 13.3.4 **Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

### 13.3.5 **Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

As Carmarthenshire County Council is the administering Authority, VAT is recoverable on all Fund Activities. The Accounts are shown exclusive of VAT.

### 13.3.6 **Management Expenses**

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.18m in 2016-2017 (2015-2016: Fee was £0.34m).

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2016-2017, £0.2m of fees is based on such estimates (2015-2016: £0.4m).

The costs of the council's pension investments team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund.

### **Net Assets Statement**

#### **13.3.7 Financial assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

13.3.7.1 Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

13.3.7.2 Fixed interest securities

Fixed interest securities are recorded at net market value.

13.3.7.3 Unquoted investments

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the investment manager.

13.3.7.4 Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations by those controlling the partnership.

**13.3.7.5 Pooled investment vehicles**

Pooled investment vehicles are valued at closing bid price if available. If this is not available then these investments will be valued at the closing single price. In the case of accumulation funds, the change in market value will also include income which is reinvested in the Fund.

**13.3.8 Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market value of overseas investments and purchases and sales outstanding at the end of the reporting period.

**13.3.9 Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

The Fund has its own bank accounts which deal with the transactions of the Fund since 1 April 2011, in accordance with section 6 of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009.

Cash balances held by the Fund are invested on a short term basis on the London Money Market by Carmarthenshire County Council until it is required to meet its liabilities or to transfer surplus cash to the investment managers for reinvestment.

**13.3.10 Financial liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

**13.3.11 Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a reference in the accompanying actuarial report.

**13.3.12 Additional voluntary contributions (AVC)**

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual scheme members to determine how much they contribute (subject to HM Revenue & Customs limits) and the investment components or its mix.

AVC's are invested separately from the assets of the Fund and are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only – Note 13.18.

### **13.4 Critical judgements in applying accounting policies**

#### **13.4.1 Fund liability**

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 13.22. This estimate is subject to significant variances based on changes to the underlying assumptions.

#### **13.4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership**

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31 March 2017 was £37.1m (31 March 2016: £33.3m).

### 13.5 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £25.2m for 2016-17. However, the assumptions interact in complex ways. During 2016-17, the Authority's actuaries advised that the net pensions liability had decreased by £1.6m due to previous estimates being corrected as a result of actual experience and increased by £259.7m attributable to updating of the assumptions.
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Limited Partnership property investments are £37.1m. There is a risk that this investment may be under or overstated in the accounts.

### 13.6 Transfers in from other pension funds

2015-16 £'000		2016-17 £'000
1,986	Individual transfers	1,889
<u>1,986</u>		<u>1,889</u>

**13.7 Payments to and on account of Leavers**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
(103)	Refunds to members leaving service	(138)
(28)	Payments for members joining state scheme	(1)
(3,896)	Individual transfers	(3,313)
<b><u>(4,027)</u></b>		<b><u>(3,452)</u></b>

**13.8 Management Expenses**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
<b>(Restated)</b>		
(925)	Administrative costs	(942)
(5,733)	Investment management expenses (Note 13.13)	(5,941)
(357)	Oversight and governance costs	(488)
<b><u>(7,015)</u></b>		<b><u>(7,371)</u></b>

2015-16 Re-stated in accordance with CIPFA Management Costs guidance

2016-17 Audit fees of £28,858 included within Oversight and governance costs. (2015-16 £26,874)

**13.9 Investment Income**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
<b>(Restated)</b>		
20,630	Income from equities	21,921
9,199	Pooled property investments	9,597
(1)	Interest on cash deposits	(10)
<b><u>29,828</u></b>		<b><u>31,508</u></b>

2015-16 Re-stated in accordance with CIPFA Management Costs guidance

**13.10 Taxation**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
(32)	Withholding tax - equities	(47)
<b><u>(32)</u></b>		<b><u>(47)</u></b>



**13.11 Investments****13.11.1 Net investment assets**

<b>Fair value 31/03/2016 £'000</b>		<b>Fair value 31/03/2017 £'000</b>
	<b><u>Investment assets</u></b>	
	<b>Bonds</b>	
178,145	UK Corporate Bonds - BlackRock	221,350
177,109	Indexed Linked Securities - BlackRock	219,346
	<b>Equities</b>	
450,678	UK Quoted Equities - BlackRock	568,252
	<b>Pooled Investments</b>	
479,667	Overseas equities - BlackRock	578,845
199,874	Global equities - Baillie Gifford	270,933
194,866	- Columbia Threadneedle	249,594
	<b>Pooled property investments</b>	
175,362	- Schroders	183,045
27,001	- Partners Group	29,373
	<b>Property</b>	
1,047	- Schroders	1,144
6,334	- Partners Group	4,822
	<b>Cash deposits</b>	
736	- BlackRock	1,705
979	- Schroders	275
0	- Partners Group	2,900
	<b>Investment income due</b>	
2,973	- BlackRock	3,126
0	- Schroders	45
	<b>Tax reclaims due</b>	
276	- BlackRock	312
88	- Schroders	99
	<b>Amounts receivable for sales</b>	
1,193	- BlackRock	258
<b>1,896,328</b>	<b>Total investment assets</b>	<b>2,335,424</b>
	<b><u>Investment liabilities</u></b>	
	<b>Amounts payable for purchases</b>	
(948)	- BlackRock	(246)
<b>(948)</b>	<b>Total investment liabilities</b>	<b>(246)</b>
<b>1,895,380</b>	<b>Net investment assets</b>	<b>2,335,178</b>

**13.11.2 Reconciliation of movements in investments**

During the year, investments purchased totalled £121m whilst sales totalled £59m. The sales realised a net gain of £62m. Acquisition costs are included in the purchase price of the investment.

	Fair value 31/03/2016 £'000	Purchases at Cost £'000	Sales at Cost £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2017 £'000
Bonds	355,254	38,086	(9,469)	0	56,825	440,696
Equities	450,678	56,152	(10,681)	0	72,103	568,252
Pooled investments	874,407	1,081	(25,847)	0	249,731	1,099,372
Pooled property investments	202,363	25,283	(12,918)	0	(2,310)	212,418
Property	7,381	269	0	0	(1,684)	5,966
	<b>1,890,083</b>	<b>120,871</b>	<b>(58,915)</b>	<b>0</b>	<b>374,665</b>	<b>2,326,704</b>
<b>Other investment balances</b>						
Cash deposits	1,715	0	0	3,165	0	4,880
Amount receivable for sales investments	1,193	0	0	(935)	0	258
Investment income due	2,973	0	0	153	45	3,171
Tax reclaims due	364	0	0	47	0	411
Amounts payable for purchases investments	(948)	0	0	702	0	(246)
	<b>1,895,380</b>	<b>120,871</b>	<b>(58,915)</b>	<b>3,132</b>	<b>374,710</b>	<b>2,335,178</b>

	Fair value 31/03/2015 £'000	Purchases at Cost £'000	Sales at Cost £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2016 £'000
Bonds	371,507	24,567	(33,544)	0	(7,276)	355,254
Equities	463,834	50,445	(27,173)	0	(36,428)	450,678
Pooled investments	878,458	45,195	(6,401)	0	(42,845)	874,407
Pooled property investments	177,139	35,385	(19,996)	0	9,835	202,363
Property	11,449	0	(3,073)	0	(995)	7,381
	<b>1,902,387</b>	<b>155,592</b>	<b>(90,187)</b>	<b>0</b>	<b>(77,709)</b>	<b>1,890,083</b>
<b>Other investment balances</b>						
Cash deposits	2,774	0	0	(1,059)	0	1,715
Amount receivable for sales investments	16	0	0	1,177	0	1,193
Investment income due	2,974	0	0	380	(381)	2,973
Tax reclaims due	321	0	0	43	0	364
Amounts payable for purchases investments	(16)	0	0	(932)	0	(948)
	<b>1,908,456</b>	<b>155,592</b>	<b>(90,187)</b>	<b>(391)</b>	<b>(78,090)</b>	<b>1,895,380</b>

**13.11.3 Realised gains and losses**

<b>2015-16</b>		<b>2016-17</b>
<b>£'000</b>		<b>£'000</b>
11,441	Bonds	2,796
1,336	Equities	9,683
32,948	Pooled Investments	35,128
4,971	Pooled property investments	4,508
(722)	Property	130
<b>49,974</b>		<b>52,245</b>

**13.11.4 Geographical analysis of investments**

<b>Fair value</b>	<b>Geographical analysis</b>	<b>Fair value</b>
<b>31/03/16</b>		<b>31/03/17</b>
<b>£'000</b>		<b>£'000</b>
1,032,530	UK	1,260,994
99,498	Europe (excl UK)	124,203
407,341	North America	483,243
78,408	Japan	84,628
89,054	Pacific Rim	125,034
188,549	Emerging Markets	255,575
0	International Pooled Funds	1,501
<b>1,895,380</b>		<b>2,335,178</b>

**13.11.5 Fund manager analysis**

<b>Fair value</b>	<b>Fund manager analysis</b>	<b>Fair value</b>
<b>31/03/16</b>		<b>31/03/17</b>
<b>£'000</b>		<b>£'000</b>
1,289,830	BlackRock	1,592,948
177,476	Schroders	184,608
33,334	Partners Group	37,095
199,874	Baillie Gifford	270,933
194,866	Columbia Threadneedle	249,594
<b>1,895,380</b>		<b>2,335,178</b>

**13.12 Concentration of Investments**

The following investments represent more than 5% of the Fund's total net assets as at 31 March 2017:

	Value as at 31/03/2017	Proportion of Investment Portfolio
	£'000	%
Baillie Gifford Global Alpha Fund	270,933	11.60
Threadneedle Global Equity Fund	249,594	10.69
Blackrock Ascent Life US Equity Fund	227,587	9.75
Blackrock Active Selection Fund UK	221,316	9.48
Aquila Life over 5yr UK index linked	219,346	9.39
Blackrock active selection fund - Emerging Market Index Fund	135,990	5.82

**13.13 Investment Management Expenses**

2015-16		2016-17
£'000		£'000
(Restated)		
(3,579)	Management fees	(3,813)
(338)	Performance related fees	(180)
(49)	Custody fees	(50)
(1,767)	Transaction Costs	(1,898)
<u>(5,733)</u>		<u>(5,941)</u>

2015-16 Restated in accordance with CIPFA Management Costs guidance

**13.14 Financial Instruments****13.14.1 Classification of financial instruments**

Accounting policies describe how different asset classes are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading.

2015-16				2016-17			
Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
<b>Financial assets</b>							
355,254	0	0	355,254	440,696	0	0	440,696
450,678	0	0	450,678	568,252	0	0	568,252
874,407	0	0	874,407	1,099,372	0	0	1,099,372
Pooled property							
202,363	0	0	202,363	212,418	0	0	212,418
7,381	0	0	7,381	5,966	0	0	5,966
0	4,041	0	4,041	0	9,768	0	9,768
Other investment							
4,530	0	0	4,530	3,840	0	0	3,840
0	6,901	0	6,901	0	6,276	0	6,276
<b>1,894,613</b>	<b>10,942</b>	<b>0</b>	<b>1,905,555</b>	<b>2,330,544</b>	<b>16,044</b>	<b>0</b>	<b>2,346,588</b>
<b>Financial liabilities</b>							
Other investment							
(948)	0	0	(948)	(246)	0	0	(246)
0	0	(4,198)	(4,198)	0	0	(3,274)	(3,274)
<b>(948)</b>	<b>0</b>	<b>(4,198)</b>	<b>(5,146)</b>	<b>(246)</b>	<b>0</b>	<b>(3,274)</b>	<b>(3,520)</b>
<b>1,893,665</b>	<b>10,942</b>	<b>(4,198)</b>	<b>1,900,409</b>	<b>2,330,298</b>	<b>16,044</b>	<b>(3,274)</b>	<b>2,343,068</b>
<b>Total</b>				<b>Total</b>			

13.14.2 **Net gains and losses on financial instruments**

2015-16 £'000	2016-17 £'000
<b>Financial assets</b>	
(28,116) Fair value through profit and loss	426,955
<b>(28,116) Total Financial assets</b>	<b>426,955</b>
<b>0 Total Financial liabilities</b>	<b>0</b>
<b><u>(28,116) Total</u></b>	<b><u>426,955</u></b>

13.14.3 **Fair value of financial instruments and liabilities**

The following table summarises the carrying value of the financial assets and financial liabilities by class of instrument compared with their fair values:

Carrying value 31/03/16 £'000	Fair value 31/03/16 £'000		Carrying value 31/03/17 £'000	Fair value 31/03/17 £'000
		<b>Financial assets</b>		
1,480,598	1,894,613	Fair value through profit and loss	1,541,819	2,330,544
10,942	10,942	Loans and receivables	16,044	16,044
<b>1,491,540</b>	<b>1,905,555</b>	<b>Total financial assets</b>	<b>1,557,863</b>	<b>2,346,588</b>
		<b>Financial liabilities</b>		
(948)	(948)	Fair value through profit and loss	(246)	(246)
(4,198)	(4,198)	Financial liabilities at amortised cost	(3,274)	(3,274)
<b>(5,146)</b>	<b>(5,146)</b>	<b>Total financial liabilities</b>	<b>(3,520)</b>	<b>(3,520)</b>
<b><u>1,486,394</u></b>	<b><u>1,900,409</u></b>	<b>Total</b>	<b><u>1,554,343</u></b>	<b><u>2,343,068</u></b>

#### 13.14.4 **Valuation of financial instruments carried at fair value**

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

##### Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and certain unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

##### Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

##### Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include limited partnerships, where fair value is ascertained from periodic valuations provided by those controlling the partnership. Assurance over the valuation is gained from the independent audit of the partnership.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the value at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Fair values at 31 March 2017	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	1,015,985	1,097,870	216,689	2,330,544
Loans and receivables	16,044	0	0	16,044
<b>Total financial assets</b>	<b>1,032,029</b>	<b>1,097,870</b>	<b>216,689</b>	<b>2,346,588</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	(246)	0	0	(246)
Financial liabilities at amortised cost	(3,274)	0	0	(3,274)
<b>Total financial liabilities</b>	<b>(3,520)</b>	<b>0</b>	<b>0</b>	<b>(3,520)</b>
<b>Net financial assets</b>	<b>1,028,509</b>	<b>1,097,870</b>	<b>216,689</b>	<b>2,343,068</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Fair values at 31 March 2016	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	811,788	1,049,491	33,334	1,894,613
Loans and receivables	10,942	0	0	10,942
<b>Total financial assets</b>	<b>822,730</b>	<b>1,049,491</b>	<b>33,334</b>	<b>1,905,555</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	(948)	0	0	(948)
Financial liabilities at amortised cost	(4,198)	0	0	(4,198)
<b>Total financial liabilities</b>	<b>(5,146)</b>	<b>0</b>	<b>0</b>	<b>(5,146)</b>
<b>Net financial assets</b>	<b>817,584</b>	<b>1,049,491</b>	<b>33,334</b>	<b>1,900,409</b>



13.14.5 **Fair value Basis of valuation**

<b>Description of Asset</b>	<b>Valuation hierarchy</b>	<b>Basis of valuation</b>	<b>Observable and unobservable inputs</b>	<b>Key sensitivities affecting the Valuations provided</b>
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled Investments – Quoted Equity	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing policy	Not required
Pooled Investments – Property Funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing policy	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted Equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

**13.14.6 Reconciliation of fair value measurements within level 3**

Asset type	Market Value 1 April 2016 £'000	Transfers into Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	Unrealised Gains / Losses £'000	Realised Gains / Losses £'000	Market Value 31 March 2017 £'000
Equities - Unquoted overseas equity	0	6,240	0	0	0	(22)	0	6,218
Property	33,334	173,914	0	14,386	(13,906)	(2,346)	5,089	210,471
<b>Total</b>	<b>33,334</b>	<b>180,154</b>	<b>0</b>	<b>14,386</b>	<b>(13,906)</b>	<b>(2,368)</b>	<b>5,089</b>	<b>216,689</b>

**13.14.7 Transfers between levels 1 and 2**

There were no transfers between levels 1 and 2 investments during 2016-17.

**13.15 Nature and extent of risks arising from financial instruments****13.15.1 Risk and risk management**

The Fund has developed a formal risk assessment process and maintains a risk register which is updated annually. This ensures that risks are identified appropriately and are assessed and managed effectively. For more details, and to view the Risk Register, please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk).

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Panel. Risk management policies are established to identify and analyse the risks faced by the Authority's pensions operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

**13.15.2 Market risk**

Market risk is the risk of loss from fluctuations in equity prices and, interest and foreign exchange rates. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To

mitigate market risk, the Panel and its independent adviser undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.
- By investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing.

### 13.15.3 **Other price risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Panel to ensure it is within limits specified in the Fund's investment strategy.

### 13.15.4 **Other price risk – sensitivity analysis**

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities shown below, are consistent with a one standard deviation movement in the change in value of the assets over the latest three years:

<b>Asset Type</b>	<b>Potential market movements (+/-)</b>
Cash	1.90%
UK Equities	9.60%
Overseas Equities	12.30%
Global Pooled Equities inc UK	9.20%
UK Corporate Bonds	7.80%
Index Linked Securities	13.70%
Property	4.80%

Had the market price of the Fund increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

Asset Type	Value as at		Value on Increase	Value on Decrease
	31 March	Change		
	2017	%		
	£'000	%	£'000	£'000
Cash	4,880	1.90%	4,973	4,787
UK Equities	568,252	9.60%	622,805	513,700
Overseas Equities	578,845	12.30%	650,042	507,647
Global Pooled Equities incl UK	520,527	9.20%	568,415	472,638
UK Corporate Bonds	221,350	7.80%	238,615	204,085
Index Linked Gilts	219,346	13.70%	249,397	189,296
Property	218,384	4.80%	228,866	207,901
Sales receivable	258	0.00%	258	258
Purchases payable	(246)	0.00%	(246)	(246)
Income receivables	3,582	0.00%	3,582	3,582
<b>Total Assets</b>	<b>2,335,178</b>		<b>2,566,707</b>	<b>2,103,648</b>

Asset Type	Value as at		Value on Increase	Value on Decrease
	31 March	Change		
	2016			
	£'000	%	£'000	£'000
Cash	1,715	0.01%	1,715	1,714
UK Equities	450,678	10.66%	498,720	402,636
Overseas Equities	479,667	10.25%	528,833	430,501
Global Pooled Equities incl UK	394,740	10.08%	434,530	354,950
UK Corporate Bonds	178,145	6.23%	189,243	167,046
Index Linked Gilts	177,109	9.45%	193,846	160,373
Property	209,744	1.96%	213,855	205,633
Sales receivable	1,209	0.00%	1,209	1,209
Purchases payable	(964)	0.00%	(964)	(964)
Income receivables	3,337	0.00%	3,337	3,337
<b>Total Assets</b>	<b>1,895,380</b>		<b>2,064,324</b>	<b>1,726,435</b>

#### 13.15.4.1 Sensitivity of assets valued at level 3

Asset type	Value as at		Value on Increase	Value on Decrease
	31 March	Change		
	2017			
	£'000	%	£'000	£'000
Equities - Unquoted overseas	6,218	12.30	6,983	5,454
Property	210,471	4.80	220,574	200,369
<b>Total</b>	<b>216,689</b>		<b>227,557</b>	<b>205,823</b>

**13.15.5 Interest rate risk**

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Panel in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates against the relevant benchmarks.

The actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

<b>31/03/16</b>	<b>Asset type</b>	<b>31/03/17</b>
<b>£'000</b>		<b>£'000</b>
1,715	Cash and cash equivalents	4,880
2,326	Cash held at CCC	4,888
355,254	Bonds	440,696
<b>359,295</b>	<b>Total</b>	<b>450,464</b>

**13.15.6 Interest rate risk sensitivity analysis**

Interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

<b>Asset type</b>	<b>Value as at 31/03/17 £'000</b>	<b>Change in year in the net assets available to pay</b>	
		<b>+1% £'000</b>	<b>-1% £'000</b>
Cash and cash equivalents	4,880	49	(49)
Cash held at CCC	4,888	49	(49)
Bonds	440,696	4,407	(4,407)
<b>Total change in available assets</b>	<b>450,464</b>	<b>4,505</b>	<b>(4,505)</b>

Asset type	Value as at 31/03/16	Change in year in the net assets available to pay	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	1,715	17	(17)
Cash held at CCC	2,326	23	(23)
Bonds	355,254	3,553	(3,553)
<b>Total change in available assets</b>	<b>359,295</b>	<b>3,593</b>	<b>(3,593)</b>

### 13.15.7 Discount Rate

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

### 13.15.8 Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£ GBP Sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than £ GBP Sterling.

The Fund's currency rate risk is routinely monitored by the Panel in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2017 and as at 31 March 2016:

Fair value 31/03/16 £'000	Asset type	Fair value 31/03/17 £'000
833,807	Overseas Equities	1,039,211
29,011	Property	34,973
32	Cash	0
<b>862,850</b>	<b>Total overseas assets</b>	<b>1,074,184</b>

### 13.15.9 Currency risk sensitivity analysis

The aggregate currency exposure within the Fund as at 31 March 2017 was 8.30%. (2015-16: 6.23%)

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 8.30% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay Benefits as follows:

Asset type	Fair value 31/03/17	Change in year in the net assets available to pay benefits	
		+8.30%	-8.30%
	£'000	£'000	£'000
Overseas equities	1,039,211	86,255	(86,255)
Property	34,973	2,903	(2,903)
Cash	0	0	0
<b>Total change in available assets</b>	<b>1,074,184</b>	<b>89,158</b>	<b>(89,158)</b>

Asset type	Fair value 31/03/16	Change in year in the net assets available to pay benefits	
		+6.23%	-6.23%
	£'000	£'000	£'000
Overseas equities	833,807	51,946	(51,946)
Property	29,011	1,807	(1,807)
Cash	32	2	(2)
<b>Total change in available assets</b>	<b>862,850</b>	<b>53,755</b>	<b>(53,755)</b>

### 13.15.10 Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so Carmarthenshire County Council monitors membership movements on an annual basis.

New employers to the Fund have to agree to the provision of a bond to prevent the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. Carmarthenshire County Council currently guarantees to meet any future liabilities falling on the Fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

No collateral is held as security on financial assets. Carmarthenshire County Council does not generally allow credit to employers.

All investments held by investment managers are held in the name of the Dyfed Pension Fund so if the investment manager fails the Fund's investments are not classed amongst the manager's assets.

Any cash held is in the Carmarthenshire County Council accounts and is invested in line with Carmarthenshire County Council's approved credit rated counterparty list.

#### 13.15.11 Liquidity risk

This refers to the possibility that the Fund might not have sufficient Funds available to meet its commitments to make payments.

Carmarthenshire County Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed.

The amount held in the Fund's bank accounts meet the normal liquidity needs of the Fund and any surplus cash is invested. The Fund's actuaries establish what contributions should be paid in order that all future liabilities can be met.

The investments of the Fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss.

#### 13.16 Current assets

31/03/16 £'000		31/03/17 £'000
	Contributions due from employer	
4,956	- Employer	4,468
1,432	- Employee	1,456
2,326	Cash Balances	4,888
513	Debtors	352
<u>9,227</u>		<u>11,164</u>

##### 13.16.1 Analysis of Current assets

31/03/16 £'000		31/03/17 £'000
2	HMRC	1
8,016	Other local authorities	9,906
1	NHS bodies	1
1	Public corporations and trading funds	1
1,207	Other entities and individuals	1,255
<u>9,227</u>		<u>11,164</u>



**13.17 Current liabilities**

<b>31/03/16</b>		<b>31/03/17</b>
<b>£'000</b>		<b>£'000</b>
(2,206)	Unpaid benefits	(1,823)
(1,992)	Creditors	(1,451)
<b><u>(4,198)</u></b>		<b><u>(3,274)</u></b>

**13.17.1 Analysis of Current liabilities**

<b>31/03/16</b>		<b>31/03/17</b>
<b>£'000</b>		<b>£'000</b>
(586)	HMRC	(609)
(454)	Other local authorities	(67)
(670)	Public corporations and trading funds	(417)
(2,488)	Other entities and individuals	(2,181)
<b><u>(4,198)</u></b>		<b><u>(3,274)</u></b>

**13.18 Additional Voluntary Contributions (AVC)**

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual Scheme members to determine how much they contribute (subject to HMRC limits) and the investment components or its mix.

The contributions made to separately invested AVC schemes and the value, as at the balance sheet date, of these investments are shown below:

<b>AVC Provider</b>	<b>Value as at 31/03/16 £ '000</b>	<b>Contributions £ '000</b>	<b>Expenditure £ '000</b>	<b>Change in Market Value £ '000</b>	<b>Value as at 31/03/17 £ '000</b>
Prudential	2,858	1,009	(469)	369	3,767
Equitable Life	585	23	(99)	40	549
Standard Life	3,435	605	(674)	325	3,691
<b>Total</b>	<b><u>6,878</u></b>	<b><u>1,637</u></b>	<b><u>(1,242)</u></b>	<b><u>734</u></b>	<b><u>8,007</u></b>

### **13.19 Funding arrangements**

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The valuation that these financial statements are based on took place as at 31 March 2013. The last such valuation took place as at 31 March 2016 and the next valuation will take place as at 31 March 2019.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk) and the Annual Report and Accounts 2016-17.

### **13.20 Related Party Transactions**

The Fund is administered by Carmarthenshire County Council (the Authority), consequently there is a strong relationship between the Authority and the Fund.

The Authority incurred costs of £0.929 million (2015-16: £0.889 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £31.756 million to the Fund in 2016-17 (2015-16: £31.102 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2017, the Fund had an average investment balance of £6.58 million (2015-2016: £4.73 million) earning interest of £26,558 (2015-16: £26,180).

#### **13.20.1 Governance**

##### **Pension Panel**

There are three members and one substitute member of the Pension Panel. During 2015-16 these were Councillor Wyn Evans, Councillor Siân Thomas (active member), Councillor Terry Davies MBE (active member) and the substitute was Councillor Philip Hughes (active member).

The Director of Corporate Services, Mr Chris Moore, who has the role of Section 151 Officer for the Authority, played a key role in the financial management of the Fund and is also an active member of the Fund.

The Panel members, and the Senior Officers that advise the Panel, are required to declare their interest at each meeting.

The Panel members and Director of Corporate Services accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

Pension Board

A local Pension Board was approved by County Council on the 11<sup>th</sup> February 2015 effective from 1<sup>st</sup> April 2015 in line with the Public Service Pension Act 2013. It consists of three employer representatives, three member representatives and an independent chair.

For more details, and to view the Governance Policy, please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk) and the Annual Report and Accounts 2016-17.

**13.20.2 Key Management Personnel**

The key management personnel of the fund is the Section 151 Officer. Total remuneration payable to key management personnel is set out below:

<b>31/03/16</b>		<b>31/03/17</b>
<b>£ '000</b>		<b>£ '000</b>
12	Short-term benefits	13
3	Post-employment benefits	3
<b>15</b>		<b>16</b>

**13.21 Employing bodies contribution rates, contributions receivable and benefits payable**

2015-16				2016-17				
	Deficit				Deficit			
Contri- bution rate %	Contri- bution £'000	Contri- butions £'000	Benefits payable £'000		Contri- bution rate %	Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
Scheduled bodies								
12.9	4,690	26,459	31,650	Carmarthenshire County Council	12.9	5,019	26,753	32,822
13.5	1,107	13,776	14,600	Pembrokeshire County Council	13.5	1,152	14,103	16,322
13.6	730	10,008	10,792	Ceredigion County Council	13.6	760	9,949	9,927
				Office for the Police & Crime				
11.6	389	3,455	2,048	Commissioner for Dyfed-Powys	11.6	405	3,643	2,066
13.5	133	1,167	930	Mid & West Wales Fire Authority	13.5	138	1,389	1,139
15.2	(1)	275	224	Coleg Ceredigion	15.2	(1)	281	340
14.3	139	1,244	1,046	Coleg Sir Gar	14.3	144	1,211	836
				Pembrokeshire Coast National				
15.1	(24)	592	681	Park Authority	15.1	(25)	591	821
12.8	55	851	258	Pembrokeshire College	12.8	57	847	281
	7,218	57,827	62,229			7,649	58,767	64,554
Designated (Resolution) bodies								
20.0	2	3	53	Aberystwyth Town Council	20.0	2	4	13
12.6	0	1	0	Aberaeron Town Council	12.6	0	1	0
18.6	13	71	123	Carmarthen Town Council	18.6	14	72	95
18.7	0	6	0	Cwmamman Town Council	18.7	0	14	0
27.7	1	5	5	Gorslas Community Council	27.7	1	5	4
24.4	0	9	30	Haverfordwest Town Council	24.4	0	11	30
27.6	7	9	14	Kidwelly Town Council	27.6	7	13	12
17.3	0	2	1	Llanbadarn Fawr Community	17.3	0	2	1
21.2	0	1	1	Llanarthney Community Council	21.2	0	1	1
14.6	11	196	136	Llanelli Rural Council	14.6	12	185	200
17.8	8	52	74	Llanelli Town Council	17.8	8	100	76
12.8	0	6	0	Llangennech Community Council	12.8	0	6	0
18.2	4	21	7	Llannon Community Council	18.2	4	23	7
23.5	3	25	7	Pembrey & Burry Port Town	23.5	3	30	7
13.0	(1)	6	12	Tenby Town Council	13.0	(1)	6	12
12.0	0	9	3	Pembroke Town Council	12.0	0	10	1
8.5	0	7	0	Pembroke Dock Town Council	8.5	0	7	0
24.9	0	3	0	Pontyberem Community Council	24.9	0	0	0
	48	432	466			50	490	459

(continued overleaf)

2015-16				2016-17				
Contri- bution rate %	Contri- bution £'000	Contri- butions £'000	Benefits payable £'000		Contri- bution rate %	Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
Admission bodies								
Community Admission Body (CAB)								
26.1	(12)	1	26	Cardigan Swimming Pool	26.1	(12)	0	14
13.2	13	31	17	Ceredigion Association of	13.2	13	32	19
13.3	40	937	892	Careers Wales	13.3	42	811	891
				Carmarthenshire Association of				
11.7	6	38	38	Voluntary Services	11.7	6	31	46
				Carmarthenshire Federation of				
26.5	(5)	11	0	Young Farmers Clubs	26.5	(5)	9	0
17.9	0	34	84	Iaith Cyf	17.9	0	16	39
20.0	5	3	16	Leonard Cheshire Disability	20.0	5	3	16
0.0	0	0	0	Llanedi Community Council	21.7	0	7	0
18.1	5	32	37	Llanelli Burial Board	18.1	5	29	49
7.8	3	60	0	Menter Bro Dinefwr	7.8	3	55	27
11.5	15	35	28	Menter Cwm Gwendraeth	11.5	16	33	31
7.4	0	15	0	Menter Gorllewin Sir Gar	7.4	0	16	0
				Menter Iaith Castell-Nedd Port				
23.7	1	12	40	Talbot	23.7	1	21	10
				Narberth & District Community &				
16.0	1	10	2	Sports Association	16.0	2	9	2
				Pembrokeshire Association of				
14.5	4	60	33	Voluntary Services	14.5	4	63	23
12.6	7	57	40	PLANED	12.6	7	45	33
13.4	0	1	26	PRISM	13.4	0	0	73
14.2	(41)	301	179	Tai Ceredigion	14.2	(42)	265	320
				University of Wales-Trinity St				
16.5	101	582	529	David	16.5	105	607	563
22.5	74	10	189	Aberystwyth University	22.5	77	11	228
15.1	22	254	374	Welsh Books Council	15.1	22	222	371
				West Wales Action for Mental				
13.8	6	32	40	Health	13.8	6	34	40
17.8	1	56	44	Valuation Tribunal Wales	17.8	1	52	44
13.5	0	3	0	Swim Narbeth	13.5	0	7	0
	246	2,575	2,634			256	2,378	2,839
Transferee Admission Body (TAB)								
14.9	0	0	0	Garnant Golf Club Ltd	14.9	0	0	0
19.3	(4)	87	70	Grwp Gwalia	19.3	(4)	17	36
21.5	0	25	45	Danfo	21.5	0	15	6
20.3	0	219	93	Human Support Group (HSG)	20.3	0	175	198
	(4)	331	208			(4)	207	240

(continued overleaf)

2015-16				2016-17			
Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000	Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
<b>Bodies with no pensionable employees</b>							
0.0	0	6	7	0.0	0	5	6
			DVLA				
0.0	0	51	352	0.0	0	51	25
0.0	0	1	6	0.0	0	1	5
0.0	0	1	5	0.0	0	1	2
0.0	0	0	2	0.0	0	0	2
0.0	0	0	8,615	0.0	0	0	8,198
0.0	0	0	2	0.0	0	0	2
0.0	0	8	8	0.0	0	6	7
0.0	0	13	42	0.0	0	13	42
0.0	0	0	7	0.0	0	0	7
0.0	0	0	5	0.0	0	0	5
0.0	0	1	1	0.0	0	1	1
	0	81	9,052		0	78	8,302
	<b>7,508</b>	<b>61,246</b>	<b>74,589</b>		<b>7,951</b>	<b>61,920</b>	<b>76,694</b>
			<b>Total</b>				

### 13.21.1 **Bodies with No Pensionable Employees**

It has been assumed that for the following bodies, the proportion of pension increases stated below will continue to be recharged.

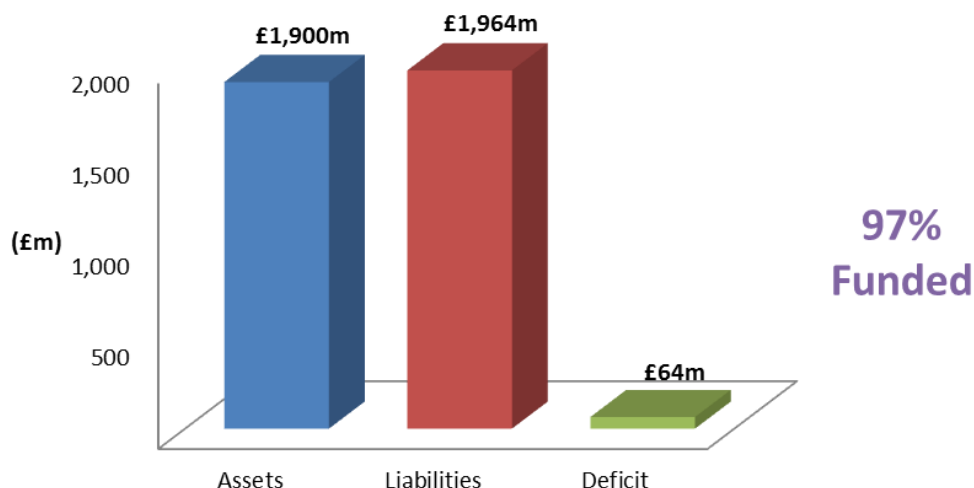
	Proportion to be recharged %
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Welsh Water	50

### 13.22 **Actuarial Statement**

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2016 to determine the contribution rates for the period 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £1,900million represented 97% of the Fund's past service liabilities of £1,964 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £64 million.



The valuation also showed that a Primary contribution rate 15.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 17 years, and the total initial recovery payment (the "Secondary rate") for 2017/18 is approximately £3.6 million (this allows for some employers to phase in any increases). For all employers, the Secondary rate will increase at 3.7% per annum, except where phasing has been applied. With the agreement of the Administering Authority employers may also opt to pay some of their deficit contributions early in return for a suitably agreed reduction.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017. In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) where there is no allowance in the contribution rate will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	<b>For past service liabilities (Funding Target)</b>	<b>For future service liabilities (Common Contribution Rate)</b>
Rate of return on investments (discount rate)	4.4% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum
* allowance was also made for short-term public sector pay restraint over a 4 year period.		

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

### **Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26**

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2017 (the 31 March 2016 assumptions are included for comparison):

	<b>31 March 2016</b>	<b>31 March 2017</b>
Rate of return on investments (discount rate)	3.6% per annum	2.5% per annum
Rate of pay increases*	3.5% per annum	3.8% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.3% per annum

\* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (2.5% p.a. versus 3.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.0% p.a. to 2.3% p.a. Both of these factors combined served to significantly increase the liabilities over the year. The pay increase assumption at the year end has also changed to allow for short-term public sector pay restraint which serves to reduce the liabilities.



The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2016 was estimated as £2,337 million. Interest over the year increased the liabilities by c£84 million, and allowing for net benefits accrued/paid over the period increased them by c£13 million (after allowing for any increase in liabilities arising as a result of early retirements/ augmentations). There was then a further increase in liabilities of £563 million made up of "actuarial losses" (mostly changes in the actuarial assumptions used, primarily the discount rate and assumed rate of future CPI as referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2017 is therefore £2,997 million.

***John Livesey***

***Fellow of the Institute and Faculty of Actuaries***

***Mercer Limited***

***June 2017***

### **13.23 Events after the balance sheet date**

#### **Passive Equity Transition**

During April 2017, the Dyfed Pension Fund transitioned all of its passive equity assets, approx. £570m, into passive pooled equity funds with BlackRock as a result of a joint procurement exercise with all 8 Wales funds.

#### **Pension Panel**

Following retirements and the County Council elections in May 2017 the pension panel membership is:

Cllr Elwyn Williams (Chairman)

Cllr Jim Jones

Cllr John Prosser

Cllr Dai Thomas (Substitute)

These events do not require any adjustments to these accounts.

### **13.24 Wales Pension Investments Pooling**

Following HM Government's approval of the Wales Investment Pool in November 2016, a Financial Conduct Authority regulated Third Party Pool Operator will be appointed in summer 2017 to manage the investments and the reduction of investment management expenses for all 8 Wales funds. An Inter Authority Agreement, the legal framework for establishing a Joint Governance Committee has been approved by all 8 administering authorities with a officer Working Group which will act as advisors to the JGC.

Carmarthenshire County Council has been selected as the Host Authority to provide administrative and secretarial support and implement decisions made by the Joint Governance Committee.

## 14 GLOSSARY OF TERMS

The following section attempts to explain the meaning of some of those technical terms that are used in the Statements. The section is split into General and those terms relating to the Pension Fund Accounts.

### **General**

#### ***Accrual***

An accrual is a sum shown in our accounts to cover income or expenditure for the accounting period that was not paid at the date of the balance sheet.

#### ***Assets Held for Sale***

These are assets which are no longer being used to provide a service and are being actively marketed with the likelihood of sale being highly probable within 1 year.

#### ***Audit***

An audit is an independent examination of our activities.

#### ***Balance***

The surplus or deficit on any account at any point in time.

#### ***Balance Sheet***

This is a statement of our assets, liabilities and other balances at the end of the financial year.

#### ***Bid Price***

The price that a third party would pay the scheme in an arm's length transaction for the investment.

#### ***Billing Authority***

A local authority responsible for collecting the council tax and non-domestic rates.

#### ***Budget***

A budget is a spending plan, usually for the following financial year.

#### ***Capital Expenditure***

Capital expenditure is spending on non-current assets such as Property, Plant and Equipment, Investment Properties and Heritage Assets. This would include the purchase or construction of new assets, together with subsequent expenditure on major maintenance or development work.

#### ***Capital Receipt***

These are the sales proceeds from the disposal of land and buildings which are restricted in their use by statute. They can only be used to fund new capital expenditure or set aside to finance historic capital expenditure.

#### ***Council Fund***

The main revenue fund of the local authority. Day to day spending on services is met from this fund.

#### ***Council Tax***

The main source of local taxation to local authorities. Council tax is levied on households within its area by the Billing Authority and the proceeds are used to meet the Billing Authority's council tax requirement and to pay the precepting authorities.

**Creditor**

A creditor is someone to whom money is owed at the end of the financial year for work done, goods received or services rendered.

**Current Assets**

These are short-term assets that are available for us to use in the following accounting year.

**Current Liabilities**

These are short-term liabilities that are due for payment by us in the following accounting year.

**Debtor**

A debtor is someone who owes money to us at end of the financial year.

**Depreciation**

Depreciation is a method of allocating the cost of Property Plant and Equipment assets over their useful lives.

**Direct Revenue Financing**

Resources provided from an authority's revenue budget to finance the cost of capital projects.

**Earmarked Reserves**

These are reserves that have been set aside for a specific purpose.

**Fees And Charges**

Income raised by charging users of services for the facilities, e.g. charges for the use of leisure facilities, car parking, the collection of trade refuse etc.

**Financial Year**

This is the accounting period. For local authorities it starts on 1 April and finishes on 31 March in the following year.

**Finance Leases**

A means by which capital items are bought. (When we use finance leases we take on most of the risks (and rewards) of owning the assets.)

**Gross Expenditure**

The total cost of providing the council's services before taking into account income, such as fees and charges for services etc.

**Heritage Assets**

Heritage Assets are defined as those that are held and maintained principally for their contribution to knowledge and culture.

**Housing Benefit**

An allowance to persons on low income (or none) to meet in whole or part their rent. Benefit is allowed or paid by local authorities but central government refunds part of the costs of the benefits and of the running costs of the service to local authorities. Benefit paid to the Authority's own tenants is known as 'rent rebate' and that paid to private sector tenants as 'rent allowance'.

**Housing Revenue Account (HRA)**

This account contains all our housing income and expenditure.

**IFRS**

International Financial Reporting Standard.

**IFRIC**

International Financial Reporting Interpretations Committee.

The above two are accounting standards which provide a guideline for financial accounting.

**Investment Properties**

These are properties that are being held solely to earn rentals or for capital appreciation or both, rather than for the provision of services

**Liability**

A liability is an amount due and payable at some time in the future.

**Minimum Revenue Provision (MRP)**

This is the amount we have to set aside to repay loans.

**National Non-Domestic Rates (NNDR)**

The NNDR, or Business Rate, is the charge occupiers of business premises pay to finance part of local Authority spending. The NNDR is set by Government and is a percentage of the rateable values. The percentage is the same throughout Wales. The total collected is split among individual authorities in proportion to their adult populations.

**Net Realisable Value**

The selling price of the asset reduced by the relevant costs of selling it.

**Operating Leases**

A means by which capital items are bought.

These are leases where risks (and rewards) of ownership of the asset remain with the owner.

**Pensions Assets/Liabilities (Notes to the Movement in Net Pension Liabilities)**

**The Current Service Costs - the value of the increase in liabilities for active members as a result of their** service increasing by one year (i.e. from the start of the year to the end of the year), less any employee contributions.

**Employer Contributions** - The employer contributions are the amounts actually paid by the employer during the year. They include any amounts paid in respect of early retirement strains and any recharges in respect of compulsory added years benefits.

**Past Service Costs** - Past service costs arise when the employer makes a commitment to provide a higher level of benefit than previously promised, for example the creation of a pension benefit for a spouse where such a benefit did not previously exist or a grant of early retirement with added-on years of service.

**Interest Costs** - The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period. Another way of viewing the "interest on liabilities" is the unwinding of 1 year's discounting in relation to the liabilities.

**Interest on Pension Assets** – This is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.

**Remeasurements (assets)** – This is the return on plan assets net of administration expenses and interest income. It replaces actuarial gains and losses on assets. For the LGPS, any change as a result of reviewing an employer's allocation of assets as at an actuarial valuation will also be included within remeasurements.

**Remeasurements (liabilities)** – Remeasurements (liabilities) can be sub-divided into 'Changes in actuarial assumptions' and 'Experience (gains) losses on liabilities'. 'Changes in actuarial assumptions' is not shown as its own separate entry but instead the changes in demographic and financial assumptions are shown separately.

**Gains or Losses on Settlements or Curtailment** - Where under the scheme rules the employees have the option to retire early or transfer out of the scheme, the resulting settlements and curtailments are allowed for in the normal demographic assumptions made by the actuary and any gains and losses arising are actuarial gains and losses. Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the employer becomes demonstrably committed to the transaction and recognised in the profit and loss account covering that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in the profit and loss account covering that date.

**Pension Fund**

The fund maintained to meet pension payments on the retirement of participants.

**Precepting Authorities**

Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rates. For Carmarthenshire County Council the precepting authorities are Dyfed Powys Police and the Town & Community Councils.

**Precepts**

This is the amount that we levy/pay to a Non-Billing Authority (for example a Community Council) so that it can cover its expenses (after allowing for its income).

**Property, Plant and Equipment**

These are assets with a physical substance that are held for use in the production or supply of goods and services, for rental to others (as part of a service) or for administrative purposes. Any asset included in this category is expected to be used for more than one financial year.

**Provision**

Provisions are amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

**Prudential Code**

The Prudential Code is a professional code of practice to support local authorities in making capital investment decisions.

**Public Works Loan Board (PWLb)**

This is a Government agency that provides longer-term loans to local authorities. It charges interest rates only slightly higher than those at which the Government itself can borrow.

**Reserve**

Reserves are amounts set aside that do not fall within the definition of provisions and include general reserves (or 'balances') which every Authority must maintain as a matter of prudence.

**Revenue Account**

This is an account that records our day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

**Revenue Support Grant**

The main grant paid by Welsh Government to support the local authority budget.

**Securities**

These are investments such as stocks, shares and bonds.

**SeRCoP**

Service Reporting Code of Practice - establishes proper practices with regard to consistent financial reporting for services – all local authorities in the United Kingdom are expected to adopt its mandatory requirements and detailed recommendations. It is also expected that CIPFA members will comply with all the discretionary requirements of SeRCoP as it defines best practice in terms of financial reporting.

**Inventories**

Inventories are raw materials purchased for day-to-day use. The value of those items not used at the end of the financial year is shown within current assets in the balance sheet.

**Subjective Analysis**

An analysis of income and expenditure according to type. Such expenditure headings include employee, premises and transport expenses. Income includes government grants and fees and charges.

**Variance**

The difference between actual expenditure and budget - expressed in cash or percentage terms.

**Wales Audit Office**

An independent body lead by the Auditor General for Wales who is responsible for the appointment of external auditors to local authorities.

**Pension Fund****Active Management**

A style of Investment Management which seeks to provide out performance of a relevant Benchmark through either Asset Allocation, Market Timing or Stock Selection (or a combination of these). Directly contrasted with Passive Management.

**Actuary**

An independent consultant who advises on the viability of the Fund. Every three years the actuary reviews the assets and liabilities of the Fund and reports to the County Council as administering Authority on the financial position and the recommended employers contribution rates. This is known as the actuarial valuation.

**Asset Class**

A specific area/type of Investment e.g. UK Equities, overseas Equities, Fixed Income, Property, Cash.

**Benchmark Return**

The aim of the Fund Manager is to outperform the Benchmark return by 1%. The benchmark return is the return that would be achieved if the Fund Manager had not deviated from the weightings of each asset class given to them by the Investment Panel, and had achieved returns in each of these asset classes consistent with the average return of all Local Authority Funds for that class. The Benchmark weightings of asset classes is outlined within the Statement of Investment Principles.

**Corporate Governance**

Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management.

**Deficit Funding**

Contributions payable for example, for a limited period or as a single payment, to improve the funding of a defined benefit scheme, often arising from a scheme funding recovery plan.

**Equities**

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

**Fixed Interest Securities**

Investments in mainly government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on the Stock Exchange in the meantime.

**Fund Manager**

A person or company to whom the Investment of the whole or part of the assets of a fund is delegated by the Trustees.

**Investment**

An asset acquired for the purpose of producing income and Capital Gain for its owner.

**Investment Adviser**

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial Investment advice to companies, pension funds or individuals, for a stated fee.

**Market Indicators**

- (i) The movement in Stock market are monitored continuously by means of an Index made up of the current prices of a representative sample of stock.
- (ii) Change in the rates at which currencies can be exchanged.

**Market Value**

The price at which an investment can be sold at a given date.

**Out performance/Under performance**

The difference in Returns gained by a particular fund against an "Average" Fund or an Index over a specified time period i.e. a Target for a fund may be out performance of a Benchmark over a 3-year period.

**Passive Management (also called Indexation/Index Tracking)**

A style of Investment Management which aims to construct a Portfolio in such a way as to provide the same Return as that of a chosen Index i.e. Stocks are purchased to be as representative as possible of the make-up of the Index. Contrasts with Active Management.

**Performance**

A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period - either in absolute terms or as measured against the "Average" Fund or a particular Benchmark.

**Performance Measurement**

A service designed to help investors evaluate the performance of their investments. This usually involves the comparison of a fund's performance with a selected Benchmark and/or with a Universe of similar funds. The main Performance Measurement Companies are The WM Company, which the Dyfed Pension Fund uses, and CAPS.

**Portfolio**

A collective term for all the investments held in a fund, market or sector.

**Preserved Benefits**

The pension benefits payable from normal retirement age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the Pension scheme before normal retirement age.

**Return**

The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

**Risk**

Generally taken to mean the Variability of Returns. Investments with greater risk must usually promise higher returns than more “stable” investments before investors will buy them.

**Transfer Value**

Payments made between funds when contributors leave service with one employer and decide to take the value of their contributions to their new fund.

**Unit Trusts**

These are investment companies that accept money from many different investors. The money is pooled and used to buy investments.

**Unrealised Increase/(Decrease) In Market Value**

The increase/(decrease) in market value, since the purchase date, of those investments held at the year end.