

Annwyl Gyngorydd,

## PWYLLGOR ARCHWILIO - DYDD GWENER, 13EG MEDI, 2019

Gweler yn amgaaedig, gopi o adroddiad ISA 260 Swyddfa Archwilio Cymru nad oedd ar gael i'w hanfon allan gyda'r Agenda, ynghyd â datganiad cyfrifon wedi'i ddiweddarau - ar ôl yr Archwiliad

Rhif ar yr Agenda	Eitem
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	<b><u>3.1 SWYDDFA ARCHILIO CYMRU - ADRODDIAD ARCHWILIO DATGANIADAU ARIANNOL (ISA 260) (Tudalennau 3 - 24)</u></b>
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	<b><u>3.4 DATGANIAD CYFRIFON 2018-2019 (Tudalennau 25 - 174)</u></b>
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Yn gywir,

*Wendy Walters*

Prif Weithredwr

Amg.



## Pwyllgor Archwilio

13<sup>eg</sup> Medi 2019

### **Pwnc: ADRODDIAD DATGANIADAU ARIANNOL – CYNGOR SIR GAERFYRDDIN**

#### **Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:**

I dderbyn adroddiad y Swyddfa Archwilio Cymru o'r Datganiadau ariannol Cyngor Sir Gaerfyrddin 2018-19.

#### **Y Rhesymau:**

Mae'r Archwilydd Ceffredinol yn gyfrifol am ddarparu barn a yw'r Datganiadau Ariannol yn rhoi darlun cywir a theg ynglŷn â sefyllfa ariannol Cyngor Sir Gaerfyrddin ar Mawrth 31<sup>ain</sup> 2019.

#### **Ymgynghorwyd â'r pwyllgor craffu perthnasol:**

NADDO

**Angen i'r Bwrdd Gweithredol wneud penderfyniad:** NAC OES

**Angen i'r Cyngor wneud penderfyniad:** NAC OES

**YR AELOD O'R BWRDD GWEITHREDOL SY'N GYFRIFOL AM Y PORTFFOLIO:**

Cyng. David Jenkins

#### **Y Gyfarwyddiaeth:**

Gwasanaethau  
Corfforaethol

#### **Enw Pennaeth y**

#### **Gwasanaeth:**

Chris Moore

#### **Awdur yr Adroddiad:**

#### **Swyddi:**

Cyfarwyddwr  
Gwasanaethau  
Corfforaethol

**Rhif ffôn:** 01267 224120

**EXECUTIVE SUMMARY**  
**Audit Committee**

13<sup>th</sup> September 2019

**SUBJECT**

Carmarthenshire County Council Audit of Financial Statements report

**1. BRIEF SUMMARY OF PURPOSE OF REPORT.**

The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the position of Carmarthenshire County Council at 31<sup>st</sup> March 2019. This report summarises the findings from the audit undertaken.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

**I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :**

**Signed :** C Moore Director of Corporate Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
None	<b>Yes</b>	None	None	None	None	None

**Legal**

Compliance with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018)

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: C Moore Director of Corporate Services

1. Scrutiny Committee : N/a
2. Local Member(s) : N/a
3. Community / Town Council : N/a
4. Relevant Partners : N/a
5. Staff Side Representatives and other Organisations : N/a

Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

Title of Document	File Ref No.	Locations that the papers are available for public inspection
Accounts and Audit (Wales) Regulations 2014 (as amended 2018)		Corporate Services Department, County Hall, Carmarthen
Code of Practice on Local Authority Accounting 2018		Corporate Services Department, County Hall, Carmarthen



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Audit of Financial Statements Report – Carmarthenshire County Council

Audit year: 2018-19

Date issued: September 2019

Document reference: 1495A2019-20

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

[infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you.

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# Summary report

## Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Carmarthenshire County Council at 31 March 2019 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for Carmarthenshire County Council are £6.2 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 and (ISA) 265 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of Carmarthenshire County Council, for 2018-19, that require reporting under ISA 260 and ISA 265.

## Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2019 on 14 June 2019 as agreed and have now substantially completed our work.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Director of Corporate Services.

## Proposed audit report

- 8 It is the Auditor General's current intention to issue an unqualified report audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

- 10 There are no misstatements identified in the financial statements, which remain uncorrected.

### Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

### Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.**

With the exception of how assets have historically been valued which is referred to below, we found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.

- **We did not encounter any significant difficulties during the audit.**

With the exception of the information relating to asset valuations which is referred to below, we received other information in a timely and helpful manner and were not restricted in our work.

**There was one significant matter discussed and corresponded upon with management which we need to report to you.**

#### **Additional pension liability**

In December 2018, the Court of Appeal ruled against the Government, holding that certain changes made to pension schemes discriminated against a group of public officers on the grounds of age. The changes surrounded a move from a final salary to a career average basis. On 27 June 2019, the Supreme Court denied the Government's application for leave to appeal the decision. This series of events is referred to as the McCloud judgement.

This judgement impacts on many public sector pension schemes including the Dyfed Pension scheme of which Carmarthenshire County Council is a

Member, and all of these schemes have had to consider the impact of this judgement on their 2018-19 financial statement disclosures. Where the impact has been considered to be material in value, amendments to the financial statements have been made.

The cost of providing a remedy to affected employees is likely to be significant. We have concluded that the McCloud judgement gives rise to a past service cost and liability within the scope of accounting for pensions within local authorities which should be accounted for as an increased liability where a reasonable estimate can be made.

The Council's actuary assessed the financial impact of this legal judgement as £25 million. The impact on the financial statements is an increase in gross expenditure in the Comprehensive Income and Expenditure Statement and an increase in long-term liabilities in the Balance Sheet. This also impacts on a number of other notes in the financial statements but has no impact on usable reserves.

The Council has made the necessary adjustments set out in [Appendix 3](#) of this report.

- **There is one other matter significant to the oversight of the financial reporting process that we need to report to you.**

#### **Provision of Working papers**

For 2018-19, the statutory deadline for producing the financial statements was 15 June 2019. By 2020-21 this deadline will be revised to 31 May. We received the 2018-19 draft financial statements in line with the current deadline.

In advance of this year's audit, we had worked with Council officers to produce a detailed audit deliverables document which included agreements as to when information and documentation would be provided for audit.

To meet earlier closure deadlines management prioritised the completion of the financial statements which were provided for audit as agreed. However, as a result, the Council unfortunately did not deliver a number of supporting working papers in line with the agreed deadline included in the audit deliverables document.

In order to meet the earlier accounts delivery deadlines in future years the Council faces some significant challenges. One of these key challenges is likely to be the need to develop Group Accounts once the three companies recently formed by the Council expand in size.

We will work with officers during the Autumn to learn lessons from the 2018-19 accounts preparation and audit processes. This exercise will help ensure that the Council continues to deliver a high-quality set of financial statements and a full set of supporting working papers next year in line with its account's closedown deadlines.

- **We did identify one material weakness in your internal controls**

**Asset Valuation**

During our audit, we noted that there had been significant changes to the valuations of three properties as at 31<sup>st</sup> March 2019. Unfortunately, when asked, the Council's property department were unable to provide us with satisfactory evidence or explanation to support the changes made. This process identified weaknesses in the property department's own internal quality assurance checks. As a result, we concluded that we were unable to rely on asset measurements provided by the Council's internal valuation team.

The consequence of us reaching this conclusion was that Council staff had to recheck the measurements recorded for all of their properties where asset measurement was the driver to its valuation. Whilst the majority of the checks were undertaken by internal staff, the Council procured the services of an external valuer to revalue some of its larger properties.

Once the area measurements for these assets had been checked we undertook audit testing on a sample of asset valuations. In completing this work, we found 3 errors relating to non-education assets. As a result, an additional sample of non-education assets were rechecked by Finance department staff and we reviewed a sample of their work and identified no further errors.

With such a large number of assets to consider, we agreed with the Director of Corporate Services that it was not possible to review all non-education based Council assets. In total, 105 low value assets amounting to approximately £5.1m were not checked. As the total value of these assets is below our materiality level it does not impact on our audit opinion. However, going forward the measurements for these unchecked assets will need to be reviewed.

The work completed by both internal staff and the external valuer identified a significant number of properties where the valuation needed to be changed. The Council has made both prior period and in year adjustments to correct these errors in the 2018-19 financial statements.

From our work carried out, we have concluded that the record keeping in the asset management system and the quality of evidence being retained by the property department is poor. We will work with officers following the completion of the audit to provide detailed feedback of the areas for improvement and we will review the progress made as part of next year's audit.

- **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Independence and objectivity

- 13 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 14 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Carmarthenshire County Council that we consider to bear on our objectivity and independence.

# Appendix 1

## Final Letter of Representation

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

[Date]

### Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of Carmarthenshire County Council for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Carmarthenshire County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

#### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 13 September 2019.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Director of Corporate Services - signed on behalf of management

Date:

Signed by:

Chair of the Audit Committee - signed on behalf of those charged with governance

Date:

# Appendix 2

## Proposed audit report of the Auditor General to the members of Carmarthenshire County Council

### Report on the audit of the financial statements

#### Opinion

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Carmarthenshire County Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

## **Other information**

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

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

## **Report on other requirements**

### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

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

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

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

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

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of 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.

## **Responsibilities**

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of corrections made to the draft financial statements

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction
£25,520,000	<p><b>Pension Fund liability</b></p> <p>The pension fund liability was increased by £25.52 million on the advice of the Council's Actuary to reflect the estimated impact of the McCloud judgement on pension fund age discrimination.</p> <p>There was no impact on the Council's Usable Reserves.</p> <p>See note 6.45 in the financial statements for a fuller explanation.</p>
£10,192,000	<p><b>Property Plant and Equipment</b></p> <p>The net carrying value of Property, Plant and Equipment assets at 31 March 2019 has increased by £10.2million (£28.0million prior period gain offset by a £17.8million current-year loss) due to corrections made to the value of certain assets. This is in addition to the increase in carrying value of assets totalling £18.3million which was previously identified and disclosed in the draft financial statements.</p> <p>There have been corresponding adjustments in the capital reserves and the comprehensive income and expenditure account.</p>
£9,230,000	<p><b>Prior Period Adjustment</b></p> <p>The impact of the prior period adjustment of £18.3million was incorrectly disclosed in the draft financial statements. As a result, the movement on the Revaluation Reserve was decreased by £9.2million with a corresponding increase in the Capital Adjustment Account.</p> <p>In addition, expenditure in the 2018-19 Comprehensive Income and Expenditure Account increased by £9.2million as the impact of the adjustment should only have been shown in 2017-18 reserves.</p> <p>There was no overall impact to the Council's usable reserves.</p>
£11,044,000	<p><b>Property Plant and Equipment</b></p> <p>As a result of the revaluation exercise undertaken by the Council, several assets were misclassified in the Property, Plant and Equipment note. The net position is that £11.0million of assets were reclassified from surplus assets to land and buildings as these continue to be in operational use.</p> <p>There was no overall impact on the carrying value of assets.</p>

Value of correction	Nature of correction
Various	<p><b>Cashflow Statement</b></p> <p>The Cashflow Statement has been updated to remove the impact of duplicating some movements in non-cash items - £1,497,000 relating to the accumulated absences creditor and £299,000 relating to the creditor owed to Dyfed Pension Fund were included twice within the cashflow statement.</p> <p>The other non-cash movement figure of (£336,000) has been amended to (£22,000) and the other payments for financing activities figure of £299,000 has been amended to nil.</p> <p>There was no overall impact on the value of cash held by the Council.</p>



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**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2019**

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

**Revised Post Audit**

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## 1 NARRATIVE REPORT

The following Statement of Accounts brings together in summary form the financial transactions of the Authority for the year 2018-19.

The Authority's Accounts for the year 2018-19 are set out on the following pages of this report, and have been produced in line with the 2018-19 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 £47.820m 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 2019.

#### **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 2018-19 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	26,180	(9,870)	(4,215)	12,095	26,164	(9,879)	(4,215)	12,070	(25)
Communities	142,320	(54,276)	8,550	96,594	144,868	(56,275)	8,550	97,143	549
Corporate Services	78,060	(50,975)	(3,142)	23,943	80,765	(53,864)	(3,142)	23,759	(184)
Education & Children	174,350	(35,317)	31,523	170,556	185,632	(45,852)	31,523	171,302	746
Environment	115,006	(74,331)	15,666	56,341	115,625	(74,698)	15,666	56,592	250
<b>Departmental Expenditure</b>	<b>535,916</b>	<b>(224,769)</b>	<b>48,382</b>	<b>359,529</b>	<b>553,054</b>	<b>(240,568)</b>	<b>48,382</b>	<b>360,866</b>	<b>1,336</b>
Net Interest & Capital									
Accounting Adjustments				(11,500)				(13,956)	(2,456)
Pension Reserve Adjustment				(13,471)				(13,471)	0
Accumulated Leave				1,496				1,496	0
<b>Levies and Contributions:</b>									
Brecon Beacon Nat Parks				142				142	0
Fire Authority				9,582				9,582	0
<b>Net Expenditure</b>				<b>345,778</b>				<b>344,659</b>	<b>(1,120)</b>
Contribution to/(from) General Balances				0				593	593
To/(from) Departmental Reserves				0				(146)	(146)
Transfer to City Deal Reserve				0				2,000	2,000
<b>Net Budget</b>				<b>345,778</b>				<b>347,106</b>	<b>1,328</b>
Revenue Support Grant				(199,828)				(199,828)	0
Non Domestic Rates				(59,612)				(59,612)	0
Council Tax				(86,338)				(87,666)	(1,328)
				0				0	0

The financial position at year end showed an over-spend at service level of £1,336k.

The Communities Department experienced pressures on services supporting Older People and the Learning Disabilities service which, after offsetting underspends elsewhere within the Department resulted in a net overspend of £549k. The Education department was £746k over budget. This was after offsetting underspends due to staff vacancies and the utilisation of additional grants to support core spend against increased demand for Special Educational Needs provision within County, School based EVR and redundancy costs, Education Other Than at School, School Modernisation property decommissioning costs, School Meals service sickness cover and kitchen's maintenance and Music Service running costs (mainly staff) exceeding the SLA income from schools. The Environment department was over budget, mostly within the Waste and Environmental Services and Planning divisions. The overspend of £251k was met from departmental reserves.

The under-spends in other departments, plus the savings on capital financing costs and a higher than estimated collection level on Council Tax means that the Authority transferred £593k to general reserves for the 2018-19 financial year.

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	47,123	(41,280)	5,843	46,909	(41,109)	5,800	(43)
Transfers to/(from) HRA balances	0	0	(5,843)	0	0	(5,800)	43

The Housing Revenue Account (HRA) reported an under spend of £43k for the year.

The main variances were:

- increased Repairs and Maintenance of £405k due to an increased level of demand for minor works and for replacement of hard wired detectors, offset by a reduction in responsive works due to a relatively mild winter.
- increased Supervision and Management costs of £247k largely due to additional services provided by building services, premises related expenditure and supplies and services, offset by reduced staffing costs.
- capital financing costs of £105k less than budgeted due to a reduction in interest rates.
- reduction in Direct Revenue funding of £618k due to the removal of the HRA borrowing cap allowing for the review of the funding of the capital programme.
- rental income lower due to increased number of voids and the increased time to turnaround major voids.

### 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)	(393)	
Generally available for new expenditure	10,376	9,983
Housing Revenue Account		14,314
		<u>24,297</u>

In addition to general reserves the Authority holds earmarked reserves of £83.915m for specific purposes.

### 1.4 Borrowing

£20.0m new borrowing was taken from the Public Works Loans Board (PWLb) in 2018-19.

As at the 31 March 2019 the Authority's total borrowing stood at £413m, which was within the Authority's authorised limit of £536m. 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 £405m 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 or a fair reflection thereof.

The accounting statements are required to reflect the conditions applying at the end of the year. The financial year has seen a period of significant political and economic uncertainty at a national level. The most significant factors affecting the Authority were the continuing pressure on public sector budgets and uncertainty over the impact of the UK's withdrawal from the European Union (Brexit).

Our overall financial standing has been maintained at a prudent level. The majority 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 2018-19 the Authority spent some £66.3m on capital projects. This expenditure was financed by a combination of borrowing, useable capital receipts, government grants, contributions and direct revenue financing.

£24m was spent on Housing with the areas of spend being as follows:

#### **Public Sector**

Refurbishment & redevelopment of housing stock and the purchase of additional housing stock	£21.6m
---	--------

#### **Private Sector**

Disability Facility Grants	£2.0m
Other Improvements	£0.4m

The major areas of expenditure on non-housing services were as follows:

	£'m	
Education & Childrens Services	10.1	New Schools, Renovations and Improvements to existing Schools & Children & Family Services projects
Leisure	4.7	Rights of Way, Sports & Leisure, Arts & Culture and Libraries
Infrastructure	15.4	Roads, Bridges, Cycle Paths, Road Safety, Car Parks, & Coastal Defence
Fleet	0.5	New welfare buses and grounds maintenance equipment
Economic Development	4.6	Physical Regeneration Projects County Wide, Community Development and Joint Ventures
Social Services	0.8	Care Homes and Learning Disability Developments
Corporate	6.2	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: 13 September 2019

### **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 36 to 143 gives a true and fair view of the financial position of Carmarthenshire County Council at 31<sup>st</sup> March 2019 and its income and expenditure for the year ended 31<sup>st</sup> March 2019.

Chris Moore FCCA  
Director of Corporate Services

Dated: 12 September 2019

### 3 ANNUAL GOVERNANCE STATEMENT

#### Assurance Executive Summary

*The Corporate Governance arrangements of the Council are acceptable.*

*It is important that a Governance Statement includes an evaluation and conclusion and provides a clear judgement on whether the governance arrangements outlined are fit for purpose.*

*To enable this judgement the Councils Internal Audit service conducts an annual review of our arrangements against the adopted standards (see 3.3 below)*

#### Table - Internal Audit Report extract:-

Findings of Carmarthenshire County Council's - Internal Audit review of AGS and Corporate Governance	
Post Review Assurance Level	Description for Assurance Level
Acceptable	Moderate controls, some areas of non-compliance to agreed controls Medium/Low risk of not meeting objectives Medium/Low risk of fraud, negligence, loss, damage to reputation
Internal Audit found no fundamental control issues to be addressed as a high priority. Although there are some control issues required to strengthen existing procedures.	

#### Summary of Issues

	Findings	Action
1	The Code of Corporate Governance should be reviewed and updated with the 7 <b>new</b> key principles to comply with the new CIPFA/SOLACE 'Delivering good governance in Local Government' framework	<b>Code to be updated</b>

Key Finding - The Code of Corporate Governance should be reviewed and updated with the 7 new key principles to comply with the new CIPFA/SOLACE 'Delivering good governance in Local Government' framework.

#### 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 and to secure continuous improvement in this regard.

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.*

For 2018/19 the Council has created a Well-being Objective on Building a Better Council and Making Better Use of Resources and action plan for this is sub headed by the above 7 principles.

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 Chair of Standards Committee presents an annual report to full Council on the Standards Committee's activities.

It also has oversight of the Whistleblowing Policy and Procedure. During the year, the Committee reviewed and amended the Policy to reflect Guidance issued by Welsh Government on Ethical Employment in Supply Chains.

During the financial year 24 dispensations were granted by the Committee to county councillors to participate in items of business where they had personal and prejudicial interests.

**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 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. Our values underpin and guide the way that we work, the way we improve and the way we make decisions in our community:

**1. Working as one team**

We recognise that by working together and making constructive connections we can make the best use of our resources for our communities.

**2. Focus on our customers**

We work to improve the lives of the people in our communities this is our focus and key purpose.

**3. Listen to improve**

We will listen and engage with our communities, partners and all stakeholders to inform our improvement plans.

**4. Strive for excellence**

We will remain vigilant and ensure that we deliver to the best of our abilities and always explore ways to improve what we do.

**5. Act with Integrity**

We will actively think about what is the right thing to do when presented with choices in a work situation.

## 6. Take personal responsibility

We will all consider how we support and apply these values so they actively underpin and guide the way we work.

To supplement the work undertaken on Core Values we have introduced a set of Behavioural Standards and developed an e-learning module which is available on the authority's 'Learning Curve', and continues to be rolled out to all our staff to ensure that our 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 year. One member changed Groups during the year, and 5 other members left a Group and formed a new political group, and the Authority duly reviewed the political balance and composition of Committees as a result of both changes.

#### **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 - Resources
- Executive Board Member - Business Manager
- 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
- Director of Regeneration & Policy
- Assistant Chief Executive (People Management)
- Head of Revenues and Financial Compliance
- People Services Manager
- Nominated substitutes allowable

The Group are responsible for updating the Code of Governance and developing the Annual Governance Statement, for the approval by:

- the Leader
- the Chief Executive
- the Audit Committee in compliance with the requirements of The Local Government (Wales) Measure 2011

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 Chief Executive as 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 attends.

### 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 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 our Annual Report.

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 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 annually to the Policy & Resources Scrutiny 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 for most services which ensures compliance with the requirements set out in our Procedure and consistency of approach across the whole Authority. During 2017/18, it was agreed that Adult Social Care Complaints would be managed by the Communities Department.

Annual reports are provided to the Corporate Management Team 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 780 complaints during 2018/19 compared to 855 during 2017/18 (the higher figure in 2017/18 being largely attributable to issues regarding the garden waste service). A further 734 enquiries and requests for assistance were addressed as redirected communications.

#### 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. Six complaints were made against County Councillors during the year, none of which were upheld.

S.16 Ombudsman's Reports (i.e. Public interest reports) are reported to County Council as required by law. No Public Interest Reports were issued against the Authority during the 2018/19 year.

### 3.3.2.4 Ensuring Effective External Communication

The Authority's Marketing and Media team promotes the work of the council and supports proactive engagement with members of the public, helping them to access information on council services wherever and whenever it is convenient to them.

The Authority's new-look website receives an average of 4,600 page views every day from residents and businesses. We've had 300+ people send feedback or ask a question since the site went live in February 2018. We're continuously improving the website based on suggestions from the public and staff. We're adding more services online and reviewing our existing eforms to ensure that they are easy to use. MyAccount also launched at the same time as the website and to date 3,000 people have signed up to this service.

Customer Services has made it easier for people to get information and support across all council services. A new Hwb model was originally trialled successfully in Llanelli and is now rolling out to other areas, offering pre-booked appointments and drop-in advice, as well as access to training and employment support. A mobile Hwb also supports rural communities. Increasing use of Social Media enables open engagement and conversations with members of the public, and as well as a tool for promoting council services it also acts as an effective customer service tool with a growing number of people using it to communicate with us.

Over 11,000 people follow the council's main Facebook account and in the region of 9,000 also follow the main Twitter account. Thousands more follow and engage with the authority's other social media accounts, including Carmarthenshire markets, libraries, sport and leisure, theatres, Pembrey Country Park and more.

The Marketing and Media team work with the Executive Board and Departmental Management Teams to plan proactive communications, supporting service areas to engage with the right people, at the right time, in the right way.

### 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 collaboration with key partners and is a statutory member of the Carmarthenshire Public Services Board (PSB). The Well-being of Future Generations Act puts a well-being duty on specified public bodies across Carmarthenshire to act jointly through the PSB. The PSB is tasked with improving the economic, social, environmental and cultural well-being of Carmarthenshire.

[www.thecarmarthenshirewewant.wales](http://www.thecarmarthenshirewewant.wales)

- In May 2018 the PSB published a Well-being plan which sets out its local objectives to improving the economic, social, environmental and cultural well-being of the County and the steps it proposes to take to meet them.

- The Well-being Objectives of the Carmarthenshire PSB are not intended to address the core services and provision of the individual partners, rather they are to enhance and add value through collective action. The statutory partners of the PSB (Council, Health Board, Fire & Rescue Service and Natural Resources Wales) each have to publish their own Well-being Objectives.

For 2017/18 we set an Improvement Plan and in October 2018 we published an Annual Report on our performance for that year. For both of these we received a Certificate of compliance from the Wales Audit Office.

### 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 2018/19:

- Help to give every child the best start in life and improve their early life experiences
- Help children live healthy lifestyles (Childhood Obesity)
- Support and improve progress and achievement for all learners.

- 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
- Promote Welsh Language and Culture
- Building a Better Council and Making Better use of Resources (New for 2018)

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.
- ii. These Well-being Objectives have been selected from considerable consultation feedback and a range 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) 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 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 Five Year Plan**

Following local government elections in May 2017 the previous Leader was re-appointed at the AGM of the 24<sup>th</sup> May 2017.

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.

In January 2018 the Executive Board approved their 'Moving Forward in Carmarthenshire: the next 5-years' plan. The plan identifies almost 100 priority projects, schemes or services the Executive Board want to deliver over the next 5-years. The Authority's new Corporate Strategy is being developed in line with the Well-being of Future Generations (Wales) Act 2015, and will incorporate the key projects and programmes within this plan.

### **3.3.3.4 New Corporate Strategy**

Following publication of the above Executive Board 5 year plan the Council took the opportunity to publish a New Corporate Strategy (June 2018). It consolidates the following plans into one document –:-

1. It supersedes the 2015-20 Corporate Strategy
2. It incorporates our Improvement Objectives as required by the Local Government Measure 2009 (See Appendix 1).
3. It includes our Well-being Objectives as required by the Well-being of Future Generations (Wales) Act 2015. For the first time in Wales, there is a shared vision and set of goals for all public bodies to work towards, our Well-being Objectives are set to maximise our contribution to these (See Appendix 1).

4. It includes Carmarthenshire County Council's Executive Board key projects and programmes for the next 5 years as set out in 'Moving Forward in Carmarthenshire: the next 5 years'.

The Well-being Objective 15 that is included in the Corporate Strategy – 'Building a Better Council and Making Better use of Resources' is framed and structured to the 7 Principles of Governance.

**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.

The Authority's sophisticated system for Performance Management (PIMS) 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.

Approved minutes from PSB meetings are presented to the Policy and Resources Scrutiny Committee for their consideration and comments are reported back to the PSB.

PIMS Dashboards are being developed for analysing performance informatics on specific areas/projects that include Corporate Safeguarding, TIC projects and for Departmental managerial use - with a view to develop more holistic Dashboards where appropriate.

**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. Member development and training programme is refreshed on an annual basis.

#### **3.3.5.1 Democratic Services Committee**

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.

During the year the Committee recommended to Council that it move to a paperless democratic process, not only to reduce the use of paper but also from an information governance aspect, and work is underway to facilitate paperless working in the Chamber. The paperless working will be implemented in the next Municipal year.

### 3.3.5.2 Managing our Workforce

Carmarthenshire County Council has some 8,000 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, the Pay and Reward function within People Management Division maintains an overview of the pay and grading structure and provides advice to managers on job evaluation and reward.

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. During 2018 a Living Wage pay supplement was paid to ensure the equivalent of the Foundation Living Wage was paid to some lowest paid employees. A new pay model is being introduced on 1<sup>st</sup> April 2019 and the lowest rate meets the Foundation Living Wage threshold without the need for payment of a separate supplement.

The Authority conducts and publishes 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 provides a mechanism for employees 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 which all staff are required to complete. 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 who cannot access email or other online systems. Whistleblowing officers are identified in each department and are often the initial point of contact for managing concerns.

### 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 both with any statutory requirements and the Council's Policy and Budget Framework, amongst other requirements. Any significant decisions have to be recorded and are subject to the call-in rules. Significant 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 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 Revenues and Financial Compliance.

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. The Corporate Risk Register is reported to the Audit Committee. A Review of Risk Management Arrangements was carried out by Wales Audit Office during 2018/19, where proposals for improvements were made to strengthen

the arrangements in place. An action plan has been completed to implement the improvements.

### **3.3.6.2 Risk Management Steering Group**

The Risk Management Steering Group examines 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, CCTV group and Contingency Planning 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 in respect of their own functional responsibilities, 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 working days after the decision is published and circulated via e-mail to Members of the relevant Scrutiny Committee.

In line with the formula set out in the Local Government Measure 2011, the Chairs of two out of the Authority's 5 Scrutiny Committees are allocated to the Opposition.

### **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 Committee

Carmarthenshire County Council is the statutorily appointed Administering Authority for the Dyfed Pension Fund. The Pension Fund Committee comprises of three County Council Members plus a nominated substitute to act in the absence of a Member. The Pension Fund Committee 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 2018-19 the Pension Fund Committee 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 and the establishment of the Wales Pension Partnership (WPP) Joint Governance Committee an extensive procurement process was undertaken to appoint a Financial Conduct Authority regulated Third Party Pool Operator to manage the investments of the 8 Welsh Pension Funds. In November 2017 the WPP Joint Governance Committee approved the appointment of Link Asset Services as their Operator. Link Asset Services have subsequently been developing the initial Partnership Sub Fund investment proposal and Prospectus application for the FCA submission.

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.

The Authority for 2018-19 has produced a separate Statement of Accounts for the Dyfed Pension Fund and therefore further information in respect of governance and activity of both the Fund and the WPP can be found in this document.

### 3.3.6.6 The City Deal

On the 29<sup>th</sup> August 2018 Carmarthenshire County Council, Neath Port Talbot County Borough Council, Pembrokeshire County Council and The Council of the City and County of Swansea signed an Agreement for the Establishment of a Joint Committee for the Swansea Bay City Region. The first meeting of the Joint Committee was held on the 30<sup>th</sup> August 2018. Carmarthenshire is the Accountable Body for the City Deal function.

The Joint Committee is made up of the Leaders of the 4 Authorities and one non-voting co-opted members each from the Hywel Dda University Health Board, ABMU Health Board, Swansea University and the University of Wales Trinity St. David.

A Joint Scrutiny Committee has also been formed, with the scrutiny function being administered by Neath Port Talbot County Borough Council.

Eleven projects have been approved for the purposes of the City Deal, 3 being regional Projects and 8 being projects delivered by individual Authorities. Carmarthenshire leads the "Skills and Talent" regional City Deal project, and leads two Carmarthenshire projects ie Yr Egin, and the Llanelli Wellness Village and Life Sciences project.

In November 2018 4 members of staff of Swansea University were suspended allegedly because of reasons linked to Carmarthenshire's Wellness Village project, and from our understanding a 5<sup>th</sup> member of staff was subsequently suspended. Some of these staff have been dismissed or resigned. In order to provide reassurance on the integrity of the procurement and governance processes conducted by Carmarthenshire County Council on the project two external reviews were undertaken – one by an external firm of solicitors, and one by the Wales Audit Office. Both reviews concluded that the Authority had acted properly.

A review was also conducted by the UK Government and Welsh Government into the City Deal in general, not necessarily because of the suspensions of Swansea University staff and the Joint Committee itself also commissioned its own internal review. Both these Reviews identified areas where governance arrangements should be revised. These were not criticisms of Carmarthenshire County Council itself. Those recommendations are in the process of being implemented. One of the recommendations already implemented has been the creation of a Joint Appointments Committee to appoint a Programme Director. The Joint Inter Authority Agreement has also been reviewed and an updated version has been approved by the Joint Committee on 28th July 2019, and is now being considered for approval by each Authority including Carmarthenshire CC.

No City Deal grant has been received as yet.

### 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.

*The overall opinion is that the Authority has an 'Acceptable' 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.

During 2017-18 the Head of Audit was re-designated as Head of Revenues and Financial Compliance which increased the responsibilities and were revised to include the operational management of Revenues and Benefits, as well as Internal Audit, Risk and Procurement. To ensure there is no conflict of interest in the audit reviews for the operational areas a protocol has been prepared and was approved by the Audit Committee in September 2018.

The Public Sector Internal Audit Standard (PSIAS) became effective from 1<sup>st</sup> April 2013 and introduced a requirement for an external assessment of all internal audit services,

which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.

The two possible approaches to external assessments outlined in the Standards included either a full external assessment or an internal self-assessment which is validated by an external reviewer. Carmarthenshire County Council elected to adopt the self-assessment approach with an external validation undertaken by a suitable qualified and experienced external assessor with the required level of knowledge of the application of the PSIAS, as agreed with the Welsh Chief Auditors' Group. The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment is designed to be a supportive process that identifies opportunities for development which ultimately help to enhance the value of the audit function to the Authority. The self-assessment and the external assessment concluded that the Internal Audit Service is generally conforming.

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

Action plan responses to Internal Audit reviews are entered into the Council's Performance Information Monitoring System (PIMS) and progress is updated quarterly by responsible officers.

### 3.3.7.3 External Regulators

Services are reviewed during the year by external regulators, such as Estyn, CIW and Wales Audit Office. The subsequent reports are actioned accordingly.

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.

We also maintain a log of regulatory reports and recommendations.

The external regulatory reviews recommendations or proposals for improvement are entered into the Councils Performance Information Monitoring System and progress is reported quarterly to CMT and PEB on dashboards. An Annual Report is issued to Audit Committee.

### 3.3.7.4 Information Assets

The Council's Director of 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 relevant policies and procedures which are communicated to staff, encryption of laptops, memory storage media and other devices. The Authority employs:

- A Digital 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 handling personal data on the requirements of the General Data Protection Regulation (GDPR).

### **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. That work includes continuous challenge of the governance framework. The AGS is the framework that is used to seek these assurances, through continuous monitoring of actions in the AGS.

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) and webcast. Its Minutes are published and are available to the Public.

### **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) and webcast. Its Minutes are published and its decisions are subject to call in by the relevant Scrutiny Committee (ref para 3.3.6.3).

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 3.3.6.3).

### 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.

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 2018/19** - To publish an Annual Report on our 2018/19 Well-being Objectives **by 31<sup>st</sup> October 2019**.
3. **For 2019/20**
  - To update/refresh our Corporate Strategy 2018-23 by the 30th June 2019 and monitor the updated Action Plans via PIMS.
  - To ensure that our Well-being Objectives are considered as part of the Budget Setting Process.
  - Publish a pay policy by April 2020 in accordance with Section 38 of the Localism Act.
  - Chief Executive recruitment and appointment
  - Review right to work checks and impact of new immigration process arising from Brexit on recruitment process
  - Complete and publish equal pay audit
  - Jointly with the other City Deal partner Authorities to revise the Swansea Bay City Region Joint Committee Agreement so as to reflect the changes required arising from the Welsh Government's commissioned review of governance and the Joint Committee's own commissioned review of governance.
  - To ensure appropriate governance arrangements are in place with current partners to deliver the Wellness project.

- To review the governance and implement appropriate changes of its three local authority companies.

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.

**Approved 9<sup>th</sup> September 2019**

**Leader of Council**

**Chief Executive**

**APPENDIX 1****UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>	<b>STATUS</b>
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. 6	Responding to the new EU General Data Protection Regulation (GDPR) (as a replacement to the Data Protection Act 1998).	Director of Regeneration and Policy	The Authority's Data Protection Officer is working closely with ICT Services and other relevant services and departments to assess requirements and prepare for the introduction of the new regulations which take effect in May 2018. Training and support is being provided to staff as required.  (New regulations came into effect during May 2018)	Ongoing
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 6 monthly reporting to the Audit Committee. Progress has been positive and changes have been implemented. Audit Committee now have requested 6 monthly reports.	Ongoing Still being reported to Audit Committee now on a 6 monthly basis
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	(A dashboard / PIMS function has been developed to enable actions to be monitored by departments)	Due date - July 2018

**UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN  
PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>		<b>STATUS</b>
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> </ul> Pre-employment checks for posts involved in regulated activity.	Director of Communities	Key perf measures considered quarterly. IA reviews arrangement again this year and identified improvement in the processes.		Ongoing
AGS 2016/17 No.7	Review Recruitment and Selection Policy to ensure compliance with employment legislation and support recruitment process review.	People Services Manager	Drafted Now going through consultation.		Completed
AGS 2017/18 No.3	To ensure our Well-being Objectives inform the budget setting process.	Director of Regeneration and Policy. Head of Financial Services.	December 2018	To undertake an exercise producing a Simplified Guide for budget monitoring and to continue for future years	Ongoing
AGS 2017/18 No.4	Publish a pay policy by April 2019 in accordance with Section 38 of the Localism Act.	Assistant Chief Executive – People Management.	April 2019	Submitted to County Council on 6 <sup>th</sup> March, 2019	Complete

**UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN  
PREVIOUS ANNUAL GOVERNANCE STATEMENTS**

<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>		<b>STATUS</b>
AGS 2017/18 No.5	Develop and implement pay model to accommodate national pay agreement in conjunction with trade unions.	Assistant Chief Executive – People Management.	April 2019	To be implemented 1 <sup>st</sup> of April, 2019	Complete
AGS 2017/18 No.6	Monitor and evaluate People Strategy Group/Work stream actions relating to WAO People Performance Management recommendations.	Assistant Chief Executive – People Management.	March 2020	As part of the PSGB, work streams have commenced	On going
AGS 2017/18 No. 8	Update the Code of Governance to ensure that it's in line with the CIPFA standards and Wellbeing of Future Generations Act.	Head of Revenues and Financial Compliance.	March 2019		Ongoing
AGS 2017/18 No.9	City Deal – monitor and assess the impact of the City Deal.	Director Regeneration & Policy. Director Corporate Services.	March 2019		Ongoing
AGS 2017/18 No.10	Post balance sheet date three companies have been formed to support the service delivery for Carmarthenshire CC which are subject to clear governance structures defined in the agreed shareholders agreements.	Corporate Management Team	March 2019	Governance arrangements put in place. Boards have been set up	Ongoing

## 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 2018/19 No.1	<b>For 2018/19</b> - To publish an Annual Report on 2018/19 performance against our Well-being Objectives.	Head of ICT and Policy.	31 October 2019
AGS 2018/19 No.2	<b>For 2018/19</b> To publish an update to our Corporate Strategy and refresh the action plans supporting it.  1. It supersedes the 2015-20 Corporate Strategy.  2. It incorporates our Improvement Objectives as required by the Local Government Measure 2009.  3. It includes our Well-being Objectives as required by the Well-being of Future Generations (Wales) Act 2015.  4. It includes Carmarthenshire County Council's Executive Board key projects and programmes for the next 5 years as set out in 'Moving Forward in Carmarthenshire: the next 5 years'.	Head of ICT and Policy.	June 2019
AGS 2018/19 No.3	To ensure our Well-being Objectives inform the budget setting process.	Head of ICT and Policy.	December 2019
AGS 2018/19 No.4	Pay Policy to be implemented, updated and published	Assistant Chief Executive (People Management)	April 2020
AGS 2018/19 No.5	Chief Executive recruitment and appointment to be completed	Assistant Chief Executive (People Management)	Completed
AGS 2018/19 No.6	Review right to work checks and impact of new immigration process arising from Brexit on recruitment process.	Assistant Chief Executive (People Management)	March 2020
AGS 2018/19 No.7	Complete and publish equal pay audit for 2018/19	Assistant Chief Executive (People Management)	March 2020

<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 2018/19 No.8	Jointly with the other City Deal partner Authorities to revise the Swansea Bay City Region Joint Committee Agreement so as to reflect the changes required arising from the Welsh Government's commissioned review of governance and the Joint Committee's own commissioned review of governance.	Revised agreement to be presented to Executive Board	September 2019
AGS 2018/19 No.9	To ensure appropriate governance arrangements are in place with current partners to deliver the Wellness project.	CMT	March 2020
AGS 2018/19 No.10	To review the governance and implement appropriate changes of its three local authority companies.	Director of Corporate Services	March 2020

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

##### Report on the audit of the financial statements

##### Opinion

I have audited the financial statements of:

- Carmarthenshire County Council

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Carmarthenshire County Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

##### Basis for opinion

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

##### Conclusions relating to going concern

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

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

##### Other information

The responsible financial officer is responsible for the other information in the statement of accounts. The other information comprises the information included in the statement of accounts other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent

otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

### **Report on other requirements**

#### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

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

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

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

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

#### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of 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.

### **Responsibilities**

#### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

Anthony J Barrett  
For and on behalf of the  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

**Date: 13 September 2019**

## 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 cash flow statement has been prepared using the indirect method. This is a change to previous years where the direct method has been used. The indirect method uses accrual accounting to record expenses and revenue, is less complex for reporting purposes and is consistent with other local authority statement presentation.

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

2018-19	Difference between Council Fund (CF) and Housing Revenue Account (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (CIES) (Surplus)/Deficit		
	Net Expenditure Chargeable to the CF and HRA £'000	Total Adjustments £'000	Net Expenditure in the CIES £'000
<b>Department</b>			
Chief Executive	7,632	3,798	11,430
Education & Children	147,097	25,946	173,043
Corporate Services	19,913	20,399	40,312
Communities	95,409	13,434	108,843
Environment	46,346	12,057	58,403
Housing Revenue Account	(8,174)	3,593	(4,581)
Insurance & Corporate	6,298	(5,770)	528
<b>Net Cost of Services</b>	<u>314,521</u>	<u>73,457</u>	<u>387,978</u>
Other Income & Expenditure	(310,181)	(29,977)	(340,158)
<b>(Surplus)/Deficit before transfers to/(from) earmarked reserves</b>	<u><b>4,340</b></u>	<u><b>43,480</b></u>	<u><b>47,820</b></u>
Transfers to/(from) earmarked reserves	867		
<b>(Surplus)/Deficit after transfers to/(from) earmarked reserves</b>	<u><u><b>5,207</b></u></u>		
CF & HRA Balance at 31st March 2018: (Surplus)/Deficit	(29,897) 5,207		
CF & HRA Balance at 31st March 2019:	<u><u><b>(24,690)</b></u></u>		
<b>2017-18</b>			
<b>Department</b>			
Chief Executive	9,035	2,601	11,636
Education & Children	143,210	24,867	168,077
Corporate Services	20,318	1,084	21,402
Communities	86,435	12,831	99,266
Environment	43,222	12,459	55,681
Housing Revenue Account	(20,097)	15,405	(4,692)
Insurance & Corporate	5,141	(4,476)	665
<b>Net Cost of Services</b>	<u>287,264</u>	<u>64,771</u>	<u>352,035</u>
Other Income & Expenditure	(300,658)	(12,590)	(313,248)
<b>(Surplus)/Deficit before transfers to/(from) earmarked reserves</b>	<u><b>(13,394)</b></u>	<u><b>52,181</b></u>	<u><b>38,787</b></u>
Transfers to/(from) earmarked reserves	6,812		
<b>(Surplus)/Deficit after transfers to/(from) earmarked reserves</b>	<u><u><b>(6,582)</b></u></u>		
CF & HRA Balance at 31st March 2017: (Surplus)/Deficit	(23,315) (6,582)		
CF & HRA Balance at 31st March 2018:	<u><u><b>(29,897)</b></u></u>		

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)**

2017-18 Total Gross Expenditure £'000	2017-18 Total Gross Income £'000	2017-18 Total Net Expenditure £'000 (Restated)	Department	2018-19 Total Gross Expenditure £'000	2018-19 Total Gross Income £'000	2018-19 Total Net Expenditure £'000
17,299	(5,663)	11,636	Chief Executive	16,568	(5,138)	11,430
210,350	(42,273)	168,077	Education and Children	214,710	(41,667)	173,043
73,389	(51,987)	21,402	Corporate Services	92,696	(52,384)	40,312
158,108	(58,842)	99,266	Communities	165,363	(56,520)	108,843
80,357	(24,676)	55,681	Environment	78,615	(20,212)	58,403
34,421	(39,113)	(4,692)	Housing Revenue Account	36,110	(40,691)	(4,581)
672	(7)	665	Insurance & Corporate	530	(2)	528
<b>574,596</b>	<b>(222,561)</b>	<b>352,035</b>	<b>Net Cost of Services</b>	<b>604,592</b>	<b>(216,614)</b>	<b>387,978</b>
			Precepts and Levies:			
		138	Brecon Beacons National Park			131
		9,349	Mid & West Wales Fire Authority			9,600
		5,397	Community Councils			5,714
		15,313	Dyfed Powys Police Authority			16,203
		(21)	(Gains)/losses on the disposal of non-current assets			(184)
		5,161	(Surpluses)/Deficits on Trading Activities not included			
		<u>35,337</u>	in Net Cost of Services		Note 6.6	<u>722</u>
			<b>Other Operating Expenditure</b>			<b>32,186</b>
		17,613	Interest Payable and Similar Charges			17,443
		9,425	Net interest on the net defined benefit liability (asset)			8,597
		(429)	Interest and Investment Income			(465)
		2,113	Income and expenditure in relation to investment properties		Note 6.11	317
		(229)	and changes in their fair value			(234)
		<u>28,493</u>	Other income			<u>25,658</u>
			<b>Financing and Investment Income and Expenditure</b>			<b>25,658</b>
		(191,881)	Revenue Support Grant	Note 6.39		(199,828)
		0	General Government Grants	Note 6.39		(25)
		(104,020)	Council Tax	Note 6.7		(109,583)
		(60,295)	Net Proceeds of Non-Domestic Rates	Note 6.8		(59,612)
		(20,882)	Capital Grants and Contributions	Note 6.39		(28,954)
		<u>(377,078)</u>	<b>Taxation and Non-specific Grant Income</b>			<u>(398,002)</u>
		<u>38,787</u>	<b>(Surplus)/Deficit on Provision of Services</b>			<u>47,820</u>
			(Surplus) or deficit on revaluation of Property, Plant			
		(6,534)	and Equipment assets			7,933
		(67,425)	Remeasurement of the net defined benefit liability/(asset)			40,972
		<u>(73,959)</u>	<b>Other Comprehensive Income and Expenditure</b>			<u>48,905</u>
		<u>(35,172)</u>	<b>Total Comprehensive Income and Expenditure</b>			<u>96,725</u>

**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 (Restated)	TOTAL AUTHORITY RESERVES £'000 (Restated)
<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>(544,453)</b>	<b>(659,177)</b>
<b>Movement in reserves during 2017/18</b>									
(Surplus) or deficit on the provision of services	40,227	0	(1,440)	0	0	0	38,787	0	<b>38,787</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(73,959)	<b>(73,959)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>40,227</b>	<b>0</b>	<b>(1,440)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>38,787</b>	<b>(73,959)</b>	<b>(35,172)</b>
Adjustments between accounting basis and funding basis under regulations(Note 6.4)	(47,418)	0	(4,763)	6,358	0	27	(45,796)	45,796	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to/from Earmarked Reserves</b>	<b>(7,191)</b>	<b>0</b>	<b>(6,203)</b>	<b>6,358</b>	<b>0</b>	<b>27</b>	<b>(7,009)</b>	<b>(28,163)</b>	<b>(35,172)</b>
Transfers to/(from) Earmarked Reserves(Note 6.23)	6,712	(6,812)	100	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>(479)</b>	<b>(6,812)</b>	<b>(6,103)</b>	<b>6,358</b>	<b>0</b>	<b>27</b>	<b>(7,009)</b>	<b>(28,163)</b>	<b>(35,172)</b>
<b>Balance at 31 March 2018</b>	<b>(9,783)</b>	<b>(82,655)</b>	<b>(20,114)</b>	<b>(8,617)</b>	<b>0</b>	<b>(564)</b>	<b>(121,733)</b>	<b>(572,616)</b>	<b>(694,349)</b>
<b>Movement in reserves during 2018/19</b>									
(Surplus) or deficit on the provision of services	49,052	0	(1,232)	0	0	0	47,820	0	<b>47,820</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	48,905	<b>48,905</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>49,052</b>	<b>0</b>	<b>(1,232)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47,820</b>	<b>48,905</b>	<b>96,725</b>
Adjustments between accounting basis and funding basis under regulations(Note 6.4)	(50,484)	0	7,004	2,659	0	(4,989)	(45,810)	45,810	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,432)</b>	<b>0</b>	<b>5,772</b>	<b>2,659</b>	<b>0</b>	<b>(4,989)</b>	<b>2,010</b>	<b>94,715</b>	<b>96,725</b>
Transfers to/(from) Earmarked Reserves(Note 6.23)	839	(867)	28	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>(593)</b>	<b>(867)</b>	<b>5,800</b>	<b>2,659</b>	<b>0</b>	<b>(4,989)</b>	<b>2,010</b>	<b>94,715</b>	<b>96,725</b>
<b>Balance at 31 March 2019</b>	<b>(10,376)</b>	<b>(83,522)</b>	<b>(14,314)</b>	<b>(5,958)</b>	<b>0</b>	<b>(5,553)</b>	<b>(119,723)</b>	<b>(477,901)</b>	<b>(597,624)</b>

**5.4 BALANCE SHEET**

31/03/18 £'000 (Restated)		Notes	£'000	31/03/19 £'000
1,352,235	Property, Plant & Equipment	6.9	1,341,962	
2,246	Heritage Assets	6.10	2,282	
23,243	Investment Property	6.11	22,035	
1,953	Long Term Investments	6.12	1,929	
7,926	Long Term Debtors	6.13	7,297	
<u>1,387,603</u>	<b>Long Term Assets</b>			<u>1,375,505</u>
22,184	Short Term Investments	6.14	27,204	
0	Assets Held for Sale	6.15	0	
1,030	Inventories	6.16	1,039	
53,494	Short Term Debtors	6.17	50,460	
18,782	Cash and Cash Equivalents	6.18	26,877	
<u>95,490</u>	<b>Current Assets</b>			<u>105,580</u>
(10,018)	Short Term Borrowing	6.19	(8,444)	
(59,814)	Short Term Creditors	6.20	(57,663)	
(2,056)	Provisions	6.21	(1,372)	
<u>(71,888)</u>	<b>Current Liabilities</b>			<u>(67,479)</u>
(3,216)	Provisions	6.21	(2,701)	
(392,936)	Long Term Borrowing	6.22	(407,644)	
(320,704)	Other Long Term Liabilities	6.45	(405,637)	
<u>(716,856)</u>	<b>Long Term Liabilities</b>			<u>(815,982)</u>
<u><b>694,349</b></u>	<b>Net Assets</b>			<u><b>597,624</b></u>
9,783	Council Fund		10,376	
20,114	Housing Revenue Account	7.2	14,314	
81,140	Earmarked Council Fund Reserves	6.23	83,915	
1,515	Council Fund Reserves Held by Schools under LMS	6.23	(393)	
0	Major Repairs Reserve	6.23	0	
8,617	Capital Receipts Reserve	6.24	5,958	
564	Capital Grants Unapplied	6.25	5,553	
<u>121,733</u>	<b>Usable Reserves</b>			<u>119,723</u>
343,509	Revaluation Reserve	6.26	324,681	
555,567	Capital Adjustment Account	6.27	563,014	
(937)	Financial Instruments Adjustment Account	6.28	(834)	
332	Deferred Capital Receipts Reserve	6.29	332	
(320,704)	Pensions Reserve	6.30	(405,637)	
(5,151)	Accumulated Absences Account	6.31	(3,655)	
<u>572,616</u>	<b>Unusable Reserves</b>			<u>477,901</u>
<u><b>694,349</b></u>	<b>Total Reserves</b>			<u><b>597,624</b></u>

**5.5 CASH FLOW STATEMENT**

2017-18 £'000		Note	2018-19 £'000
	<b>Reconciliation of Comprehensive Income and Expenditure Statement to Net Revenue Cash Flow</b>		
38,787	<b>Net (Surplus)/Deficit on the provision of services</b>	5.2	47,820
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>		
(42,427)	Depreciation		(46,189)
(17,427)	Impairment & downward valuations		(16,133)
(2,516)	Movement in market value of investment properties		(785)
(26,835)	Pension fund adjustments		(43,961)
240	Movement in provisions		1,199
(1,842)	Carrying amount of non-current assets sold		(1,709)
6	Other non cash movement		22
1,942	Movements in revenue debtors, creditors, inventories etc.		(1,362) (108,918)
	<b>Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
1,887	Proceeds from sale of property, plant and equipment, investment property and intangible assets		1,952
20,882	Capital Grants		28,954 30,906
<b>(27,303)</b>	<b>Net cash flow from operating activities</b>	6.49	<b>(30,192)</b>
	<b>INVESTING ACTIVITIES</b>		
52,507	Purchase of property, plant & equipment, investment property & intangible assets		57,275
418,900	Purchase of short term & long term investments		370,300
3,725	Other payments for investing activities		4,172
(1,963)	Proceeds from the sale of property, plant & equipment, investment property & intangible assets		(2,015)
(418,879)	Proceeds from short term & long term investments		(365,304)
(18,066)	Capital grants received		(29,196)
<b>36,224</b>	<b>Net cash flow from investing activities</b>		<b>35,232</b>
	<b>FINANCING ACTIVITIES</b>		
(21,895)	Cash receipts of short-term & long-term borrowing		(20,000)
10,214	Repayments of short-term & long-term borrowing		6,865
<b>(11,681)</b>	<b>Net cash flow from financing activities</b>		<b>(13,135)</b>
<b>(2,760)</b>	<b>NET (INCREASE)/DECREASE IN CASH &amp; CASH EQUIVALENTS</b>		<b>(8,095)</b>
16,022	Cash & cash equivalents at the beginning of reporting period	6.18	18,782
18,782	Cash & cash equivalents at the end of reporting period		26,877
<b>2,760</b>	<b>INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>		<b>8,095</b>

## 6 NOTES TO THE ACCOUNTS

### 6.1 Statement of Accounting Policies

#### General

The Statement of Accounts summarises the transactions of Carmarthenshire County Council for the 2018-19 financial year and its position at the year ended 31 March 2019.

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 2018/19 and the Service Reporting Code of Practice 2018/19, 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.

The changes introduced as a result of IFRS 15 have not had a material impact on the Authority.

### 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:

Schools	2014-15
Housing Stock & Depreciated Replacement Costs valued assets	2015-16
Social Care and Environment (Part)	2016-17
Environment (Part)	2017-18
Chief Executive, Regeneration and Leisure	2018-19

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.

#### **Fair Value Measurement**

The Council measures its investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement will be at highest and best use from the perspective of a market participant.

It is assumed that any fair value measurement of an asset or liability uses the same assumptions that market participants acting in their economic best interest would use and that the transaction takes place in the principal market or failing that in the most advantageous market for the asset or liability.

Appropriate valuation techniques are used for which sufficient data is available. Inputs to the techniques are categorised within the fair value hierarchy that consists of three levels as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are accessible by the Council at the measurement date.
- Level 2 inputs are quoted prices other than quoted prices within Level 1 that are observable either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

### 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.

The Authority adopted IFRS 9 Financial Instruments in 2018-19. Classification of financial assets are now based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

### 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. 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 2.4% (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), i.e. 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 a number of companies that have the nature of subsidiaries 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.

##### CWM Environmental

Carmarthenshire County Council is sole shareholder of CWM Environmental. Historically, the company has been operated as an arms length trading company, however during the year, the Authority chose to make use of the Teckal Exemption, as more than 80% of the company's activity is transacted with the Authority. Further information is provided at note 6.12 (Long Term Investments) and note 6.40 (Related Party Transactions)

##### Llesiant Delta Wellbeing Ltd

Carmarthenshire County Council is sole shareholder of Llesiant Delta Wellbeing Ltd. The company was created to transfer and grow the Careline service as agreed by the Council's Executive Board in January 2018. The company became operational during the year. Further information is provided at note 6.12 (Long Term Investments) and note 6.40 (Related Party Transactions)

Egni Sir Gar Cyfyngedig

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

Cartrefi Croeso Cyfyngedig

Carmarthenshire County Council is sole shareholder of Cartrefi Croeso. The company was created to develop housing developments on a commercial basis in Carmarthenshire as agreed by the Council's Executive Board. The company became operational during the year. Further information is provided at note 6.12 (Long Term Investments) and note 6.40 (Related Party Transactions).

**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 arrangements that could fall within the above definition for accounting purposes:-

- **Education through Regional Working**

	<b>ERW</b>	
	<b>2018-2019</b>	
	<b>Total</b>	<b>CCC Share</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	425	90
Income	(255)	(54)
Net Pensions Interest	(37)	(8)
Remeasurement of Pension Assets and Liabilities	(124)	(26)
(Surplus)/Deficit for the year	9	2
Current Assets	1,866	394
Current Liabilities	(1,443)	(305)
Long Term Liabilities	(316)	(67)
Total assets less liabilities	107	23
Reserves	107	23
Total Financing	107	23

- **Wales Pension Partnership**

	<b>WPP</b>
	<b>2018-19</b>
	<b>Total</b>
	<b>£'000</b>
Expenditure	160 *
Income	(160)
(Surplus)/Deficit for the year	0
Current Assets	139
Current Liabilities	(11)
Total assets less liabilities	128
Council Fund	128
Total Financing	128

\* Expenditure is shared equally between the following eight Welsh Pension Funds:

Cardiff & Vale of Glamorgan Pension Fund  
 City and County of Swansea Pension Fund  
 Clwyd Pension Fund  
 Dyfed Pension Fund  
 Greater Gwent Pension Fund  
 Gwynedd Pension Fund  
 Powys Pension Fund  
 Rhondda Cynon Taf Pension Fund

- **Swansea Bay City Region**

	<b>SBCR</b>	
	<b>2018-2019</b>	
	<b>Total</b>	<b>CCC Share</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	471	118
Income	(458)	(115)
(Surplus)/Deficit for the year	13	3
Current Assets	275	69
Current Liabilities	(175)	(44)
Total assets less liabilities	100	25
Reserves	100	25
Total Financing	100	25

Other potential arrangements include The Children's Commissioning Consortium Cymru (4 C's) 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 third year of its second phase, which ended on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. 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:

Uncertainty continues about both future funding and any potential reorganisation of 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 2018-19 £3.43m plus interest had been repaid by the administrators (see note 6.47). A court hearing in July 2018 extended the term of the administration to the 7th October 2021. This is the fourth extension to the administration.

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 2019 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 £27m for 2018-19.</p> <p>The carrying amount of the net pensions liability at 31<sup>st</sup> March 2019 was £406m.</p> <p>However, the assumptions interact in complex ways. During 2018/19, the Authority's actuaries advised that the net pensions liability had increased by £77.1m due 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					Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2018-19	£'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	(34,236)	(11,953)	0	0	0	46,189
Revaluation gains/(losses) on Property Plant and Equipment	(12,154)	(3,979)	0	0	0	16,133
Movements in the market value of Investment Properties	(785)	0	0	0	0	785
Capital grants and contributions applied	16,748	158	0	0	0	(16,906)
Revenue expenditure funded from capital under statute	(2,222)	0	0	0	0	2,222
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	(1,682)	(27)	0	0	0	1,709
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	9,537	4,416	0	0	0	(13,953)
Capital expenditure charged against the Council Fund and HRA balances	8,330	12,731	0	0	0	(21,061)

	Usable Reserves					Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>2018-19</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,839	0	0	0	(5,839)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	850	(850)
<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	1,785	108	(1,893)	0	0	0
Statutory Capital Receipts	59	0	(63)	0	0	4
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,615	0	0	(4,615)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0
Capital Receipts Set Aside	0	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0

	Usable Reserves					Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2018-19	£'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	6,209	0	(6,209)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,209	0	(6,209)
<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	(51)	0	0	0	(103)
<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)	(67,168)	(1,187)	0	0	0	68,355
Employer's pensions contributions and direct payments to pensioners payable in the year	23,816	578	0	0	0	(24,394)
<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	1,495	1	0	0	0	(1,496)
<b>Total Adjustments</b>	<b>(50,484)</b>	<b>7,004</b>	<b>2,659</b>	<b>0</b>	<b>(4,989)</b>	<b>45,810</b>

	Usable Reserves					Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2017-18	£'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	(30,919)	(11,508)	0	0	0	42,427
Revaluation gains/(losses) on Property Plant and Equipment	(13,980)	(3,447)	0	0	0	17,427
Movements in the market value of Investment Properties	(2,516)	0	0	0	0	2,516
Capital grants and contributions applied	14,158	473	0	0	0	(14,631)
Revenue expenditure funded from capital under statute	(1,993)	(2)	0	0	0	1,995
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	(1,775)	(67)	0	0	0	1,842
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	8,384	4,276	0	0	0	(12,660)
Capital expenditure charged against the Council Fund and HRA balances	5,468	0	0	0	0	(5,468)

	Usable Reserves					Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<b>2017-18</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	62	0	0	0	(62)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	89	(89)
<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	1,809	54	(1,863)	0	0	0
Statutory Capital Receipts	24	0	(72)	0	0	48
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	8,296	0	0	(8,296)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	1	0	0	(1)
Capital Receipts Set Aside	0	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(4)	0	0	4

	Usable Reserves					Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2017-18	£'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	6,190	0	(6,190)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,190	0	(6,190)
<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	(1)	(52)	0	0	0	53
<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)	(50,134)	(1,222)	0	0	0	51,356
Employer's pensions contributions and direct payments to pensioners payable in the year	23,979	542	0	0	0	(24,521)
<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	16	0	0	0	0	(16)
<b>Total Adjustments</b>	<b>(47,418)</b>	<b>(4,763)</b>	<b>6,358</b>	<b>0</b>	<b>27</b>	<b>45,796</b>

**6.5 Note to the Expenditure and Funding Analysis**

2018-19	Adjustments between Funding and Accounting Basis			
	Adjustments for Capital Purposes £'000	Net Changes for Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
<b>Department</b>				
Chief Executive	2,178	1,630	(10)	3,798
Education & Children	22,783	4,594	(1,431)	25,946
Corporate Services	(363)	20,764	(2)	20,399
Communities	8,876	4,571	(13)	13,434
Environment	9,820	2,249	(12)	12,057
Housing Revenue Account	3,202	392	(1)	3,593
Insurance & Corporate	(5,770)	0	0	(5,770)
<b>Net Cost of Services</b>	<b>40,726</b>	<b>34,200</b>	<b>(1,469)</b>	<b>73,457</b>
Other Income & Expenditure	(39,606)	9,761	(132)	(29,977)
<b>Difference between CF &amp; HRA (Surplus)/Deficit and CIES (Surplus)/Deficit on Provision of Services</b>	<b>1,120</b>	<b>43,961</b>	<b>(1,601)</b>	<b>43,480</b>
<b>2017-18</b>				
<b>Department</b>				
Chief Executive	743	1,875	(17)	2,601
Education & Children	19,199	5,611	57	24,867
Corporate Services	749	345	(10)	1,084
Communities	7,652	5,204	(25)	12,831
Environment	9,872	2,595	(8)	12,459
Housing Revenue Account	14,957	448	0	15,405
Insurance & Corporate	(4,476)	0	0	(4,476)
<b>Net Cost of Services</b>	<b>48,696</b>	<b>16,078</b>	<b>(3)</b>	<b>64,771</b>
Other Income & Expenditure	(23,387)	10,757	40	(12,590)
<b>Difference between CF &amp; HRA (Surplus)/Deficit and CIES (Surplus)/Deficit on Provision of Services</b>	<b>25,309</b>	<b>26,835</b>	<b>37</b>	<b>52,181</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:

2017-18 Total Gross Expenditure £'000	2017-18 Total Gross Income £'000	2017-18 Total Net (Income)/ Expenditure £'000	Activities/Section	2018-19 Total Gross Expenditure £'000	2018-19 Total Gross Income £'000	2018-19 Total Net (Income)/ Expenditure £'000
29,799	(30,407)	(608)	Property Services Vehicle Repair &	32,558	(33,197)	(639)
1,080	(1,097)	(17)	Maintenance	1,131	(1,143)	(12)
4,178	(3,478)	700	Building Cleaning	4,579	(3,553)	1,026
5,076	(5,140)	(64)	Fleet Management	5,049	(5,091)	(42)
1,313	(1,553)	(240)	Civil Design	1,241	(1,573)	(332)
4,511	(306)	4,205	Rural Estate	501	(306)	195
1,645	(581)	1,064	Provision Markets	1,038	(582)	456
1,870	(1,749)	121	Industrial Sites	1,841	(1,771)	70
<b>49,472</b>	<b>(44,311)</b>	<b>5,161</b>		<b>47,938</b>	<b>(47,216)</b>	<b>722</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 & Crime Commissioner and Town & Community Councils 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. The Council Tax Base for 2018-19 was 72,153.24 (71,598.56 for 2017-18).

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	20	4,866	15,976	14,008	12,594	14,223	8,403	3,267	537	110

Analysis of the net proceeds from Council Tax:

	2017-18 £'000	2018-19 £'000
Council Tax Collectable	104,642	110,190
Movement in Impairment Allowance	(622)	(607)
<b>Net Proceeds from Council Tax (including Precepts)</b>	<b><u>104,020</u></b>	<b><u>109,583</u></b>

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

NNDR is organised on a national basis. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government who redistribute the sums payable back to local authorities on the basis of a fixed amount per head of population. Local businesses pay rates calculated by multiplying their rateable value by a rate specified by the Welsh Government (51.4p for 2018-19, 49.9p for 2017-18).

The total non-domestic rateable value at 31st March 2019 was £120,025,177 (restated figure of £118,226,498 at 31st March 2018 due to valuation office amendment).

**6.9 Property, Plant & Equipment**

Movements in 2018-19	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	TOTAL £'000
<b>Gross Book Value 01/04/18</b>	<b>350,999</b>	<b>791,873</b>	<b>22,682</b>	<b>295,232</b>	<b>5,037</b>	<b>27,503</b>	<b>27,595</b>	<b>1,520,921</b>
Additions	21,071	12,050	3,924	9,297	112	2	14,167	<b>60,623</b>
Revaluation Increases Recognised in the Revaluation Reserve	42	13,097	40	0	0	453	0	<b>13,632</b>
Revaluation Losses Recognised in the Revaluation Reserve	(32)	(29,187)	0	0	0	(1,576)	0	<b>(30,795)</b>
Revaluation Increases Recognised in the Provision of Services	0	10,201	0	0	0	0	0	<b>10,201</b>
Revaluation Losses Recognised in the Provision of Services	(3,979)	(12,171)	(100)	0	(121)	(733)	0	<b>(17,104)</b>
Derecognition of Disposals	0	(189)	(238)	0	0	0	0	<b>(427)</b>
Reclassifications: to & from Assets Held for Sale	(27)	(199)	0	0	0	(1,260)	0	<b>(1,486)</b>
Reclassifications: to & from Investment Properties	0	813	0	0	10	266	0	<b>1,089</b>
Reclassifications: from Assets Under Construction to Investment Properties	0	0	0	0	0	0	(36)	<b>(36)</b>
Reclassifications: from Assets Under Construction	(13)	10,366	0	4,942	573	598	(16,466)	<b>0</b>
Write back of Dep'n to the Gross Carrying Amount on Revaluation	0	(17,783)	(472)	0	0	(273)	0	<b>(18,528)</b>
<b>Gross Book Value 31/03/19</b>	<b>368,061</b>	<b>778,871</b>	<b>25,836</b>	<b>309,471</b>	<b>5,611</b>	<b>24,980</b>	<b>25,260</b>	<b>1,538,090</b>
<b>Accumulated Depreciation and Impairment at 01/04/18</b>	<b>(22,394)</b>	<b>(55,580)</b>	<b>(8,350)</b>	<b>(81,651)</b>	<b>(440)</b>	<b>(271)</b>	<b>0</b>	<b>(168,686)</b>
Depreciation Charge	(11,953)	(24,597)	(2,704)	(6,845)	(32)	(58)	0	<b>(46,189)</b>
Depreciation Written Out to Revaluation Reserve	0	17,783	472	0	0	273	0	<b>18,528</b>
Derecognition of Disposals	0	0	205	0	0	0	0	<b>205</b>
Other Movements in Depreciation and Impairments	0	71	0	0	(57)	0	0	<b>14</b>
<b>Cumulative Depreciation to 31/03/19</b>	<b>(34,347)</b>	<b>(62,323)</b>	<b>(10,377)</b>	<b>(88,496)</b>	<b>(529)</b>	<b>(56)</b>	<b>0</b>	<b>(196,128)</b>
<b>Net Book Value at 31/03/19</b>	<b>333,714</b>	<b>716,548</b>	<b>15,459</b>	<b>220,975</b>	<b>5,082</b>	<b>24,924</b>	<b>25,260</b>	<b>1,341,962</b>

Movements in 2017-18	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	TOTAL £'000
		(Restated)		(Restated)	(Restated)	(Restated)		(Restated)
<b>Gross Book Value 01/04/17</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>
Adjustments to opening balance	0	55,035	0	309	(272)	(9,480)	0	45,592
<b>Gross Book Value 01/04/17</b>	<b>336,124</b>	<b>793,055</b>	<b>21,129</b>	<b>291,130</b>	<b>5,380</b>	<b>25,075</b>	<b>31,809</b>	<b>1,503,702</b>
Additions	17,817	14,870	3,650	5,924	1	96	15,140	57,498
Revaluation Increases Recognised in the Revaluation Reserve	37	7,404	0	0	0	1,561	0	9,002
Revaluation Losses Recognised in the Revaluation Reserve	(32)	(19,995)	0	0	(479)	(274)	0	(20,780)
Revaluation Increases Recognised in the Provision of Services	22	1,169	0	0	0	62	0	1,253
Revaluation Losses Recognised in the Provision of Services	(3,469)	(11,142)	(629)	(2,104)	(627)	(387)	(322)	(18,680)
Derecognition of Disposals	0	0	(363)	0	0	0	0	(363)
Reclassifications: to & from Assets Held for Sale	(67)	(82)	0	0	0	(1,375)	0	(1,524)
Reclassifications: to & from Investment Properties	0	0	0	0	740	468	0	1,208
Reclassifications: from Assets Under Construction to Investment Properties	0	0	0	0	0	0	(284)	(284)
Reclassifications: from Assets Under Construction	569	13,665	0	1,371	80	3,063	(18,748)	0
Write back of Dep'n to the Gross Carrying Amount on Revaluation	(2)	(7,071)	(1,105)	(1,089)	(58)	(786)	0	(10,111)
<b>Gross Book Value 31/03/18</b>	<b>350,999</b>	<b>791,873</b>	<b>22,682</b>	<b>295,232</b>	<b>5,037</b>	<b>27,503</b>	<b>27,595</b>	<b>1,520,921</b>
<b>Accumulated Depreciation and Impairment at 01/04/17</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>
Adjustments to opening balance	0	(379)	0	0	0	379	0	0
<b>Accumulated Depreciation and Impairment at 01/04/17</b>	<b>(10,887)</b>	<b>(41,155)</b>	<b>(7,262)</b>	<b>(76,354)</b>	<b>(468)</b>	<b>(549)</b>	<b>0</b>	<b>(136,675)</b>
Depreciation Charge	(11,509)	(21,510)	(2,498)	(6,386)	(23)	(501)	0	(42,427)
Depreciation Written Out to Revaluation Reserve	2	7,071	1,105	1,089	58	786	0	10,111
Derecognition of Disposals	0	0	305	0	0	0	0	305
Other Movements in Depreciation and Impairments	0	14	0	0	(7)	(7)	0	0
<b>Cumulative Depreciation to 31/03/18</b>	<b>(22,394)</b>	<b>(55,580)</b>	<b>(8,350)</b>	<b>(81,651)</b>	<b>(440)</b>	<b>(271)</b>	<b>0</b>	<b>(168,686)</b>
<b>Net Book Value at 31/03/18</b>	<b>328,605</b>	<b>736,293</b>	<b>14,332</b>	<b>213,581</b>	<b>4,597</b>	<b>27,232</b>	<b>27,595</b>	<b>1,352,235</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

**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 2018-19**

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>
		(Restated)	(Restated)	(Restated)	(Restated)
Movement in fair value as at:					
Previous Years	542,781	698,351	18,230	20,942	1,280,304
31 March 2015	19,668	(40,940)	(683)	(1,269)	(23,224)
31 March 2016	(235,977)	112,729	(2,650)	2,140	(123,758)
31 March 2017	9,652	(13,809)	6,232	12,742	14,817
31 March 2018	14,875	50,250	1,553	(7,470)	59,208
31 March 2019	17,062	(27,710)	3,154	(2,105)	(9,599)
<b>Gross Book Value at 31/03/19</b>	<b>368,061</b>	<b>778,871</b>	<b>25,836</b>	<b>24,980</b>	<b>1,197,748</b>

**Capital Commitments**

As at 31<sup>st</sup> March 2019 the Council was contractually committed to capital works which amounted to approximately £29.0 million (£21.3 million as at 31<sup>st</sup> March 2018).

Major contracts included the following schemes:

	<b>£'000</b>
<b><u>COMMUNITIES</u></b>	
Public Sector Housing	3,414
Housing Developments at Dylan, Llanelli	5,135
Housing Developments at Garreglwyd, Pembrey	2,488
Pembrey Country Park	1,242
Carmarthenshire Archives	1,051
Carmarthen Leisure Centre	53
Amman Valley Leisure Centre	58
<b><u>ENVIRONMENT</u></b>	
Pante Retaining Wall, Bronwydd	422
Pontyates Footbridge	73
Pantyglyn Retaining Wall	55
<b><u>EDUCATION AND CHILDREN</u></b>	
<b>Modernising Education Programme</b>	
Burry Port	152
Dewi Sant	58
Gorslas	130
Llangadog	1,581
Parc y Tywyn	117
Pembrey	848
Pen Rhos	123
Pontyberem	48
Pum Heol	3,648
Rhys Pritchard	1,000
Trimsaran	133
Bro Dinefwr	119
Dyffryn Amman	48
St John Lloyd	44
<b><u>ECONOMIC DEVELOPMENT</u></b>	
Pendine Attractor Project	6,918
	<b><u><u>28,958</u></u></b>

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

	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 01/04/17</b>	30	16	71	761	1,337	30	1	2,246
Additions	0	0	0	0	0	0	0	0
<b>Cost or Valuation Gross Carrying Amount 31/03/18</b>	30	16	71	761	1,337	30	1	2,246
Additions	0	0	0	36	0	0	0	36
<b>Cost or Valuation Gross Carrying Amount 31/03/19</b>	30	16	71	797	1,337	30	1	2,282

	Art Collections	Civic Regalia	Museum Exhibits	Public Sculptures	Ancient Monuments	Archive	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Previous Years	30	16	64	722	1,274	30	3	2,139
2014-15	0	0	7	39	63	0	0	109
2015-16	0	0	0	0	0	0	(2)	(2)
2016-17	0	0	0	0	0	0	0	0
2017-18	0	0	0	0	0	0	0	0
2018-19	0	0	0	36	0	0	0	36
<b>Cost or Valuation Gross Carrying Amount 31/03/19</b>	30	16	71	797	1,337	30	1	2,282

**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 but some collections have been deposited with Glamorgan Archives and Swansea University Archives 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, only a small percentage 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, only a small percentage, 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 Llanelly Pottery in public ownership. A large number of this collection of 721 items is on display at any one time. The Llanelly 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. Less than half 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 only a very small percentage of 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 approximately 67 are on display.

### **Ethnography**

This is a small collection of 300 objects 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 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>2017-18</b> <b>£'000</b>	<b>2018-19</b> <b>£'000</b>
Rental income from investment properties	(964)	(1,143)
Direct operating expenses arising from investment property	434	388
Net (gain)/loss	<b>(530)</b>	<b>(755)</b>
Indirect Expenditure	127	287
Net (Gains)/Losses from Fair Value Adjustments	2,516	785
Income and Expenditure in relation to Investment Properties and Changes in their Fair Value	<b><u>2,113</u></b>	<b><u>317</u></b>

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

	<b>2017-18</b> <b>£'000</b>	<b>2018-19</b> <b>£'000</b>
<b>Balance at start of year</b>	25,290	23,243
Prior Year Adjustment	691	0
Additions:		
Enhancements	961	644
Disposals	(259)	0
Net Gains/(Losses) from fair value adjustments	(2,516)	(785)
Transfer:		
(To)/From Property, Plant and Equipment	(924)	(1,067)
	<b><u>23,243</u></b>	<b><u>22,035</u></b>

### Fair Value Measurement of Investment Properties

Details of the Council's investments properties and information about the fair value hierarchy are as follows:

#### 31 March 2019

	Quoted Market Price (Level 1)	Other Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair Value as at 31 March 2019
Recurring fair value measurements using:				
Commercial Properties	0	0	3,129	<b>3,129</b>
Garages	0	0	40	<b>40</b>
Land Assets	0	0	18,810	<b>18,810</b>
Offices	0	0	41	<b>41</b>
Residential Properties	0	0	15	<b>15</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>22,035</b>	<b>22,035</b>

#### 31 March 2018

	Quoted Market Price (Level 1)	Other Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair Value as at 31 March 2018
Recurring fair value measurements using:				
Commercial Properties	0	0	3,464	<b>3,464</b>
Garages	0	0	40	<b>40</b>
Land Assets	0	0	18,761	<b>18,761</b>
Offices	0	0	963	<b>963</b>
Residential Properties	0	0	15	<b>15</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>23,243</b>	<b>23,243</b>

#### 6.12 Long Term Investments

	31 March 2018 £'000	31 March 2019 £'000
Cwm Environmental Ltd.	329	329
Egni Sir Gar Cyfyngedig	900	900
Banks and 100% Wholly Owned Subsidiaries	724	700
	<b>1,953</b>	<b>1,929</b>

Whilst CWM Environmental, Llesiant Delta Wellbeing Ltd and Cartrefi Croeso have 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.

### CWM Environmental Ltd

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 2019:

	<b>£'000</b>
Share Capital	<u>329</u>

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 2018, 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 2018 and net assets as at that date for CWM Environmental Ltd:

	<b>Year ended</b>
	<b>31 December 2018</b>
	<b>£'000</b>
Turnover	13,026
Less: Cost of Sales	<u>(10,607)</u>
<b>Gross Profit</b>	<b>2,419</b>
Overheads	<u>(3,378)</u>
<b>Net Profit/(Loss) before taxation</b>	<b>(959)</b>
Taxation on loss / profit	<u>0</u>
<b>Retained Profit/(Loss)</b>	<b><u>(959)</u></b>
Net Assets as at 31 December 2018	<b><u>4,317</u></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

Llesiant Delta Wellbeing Ltd

Llesiant Delta Wellbeing Ltd is a wholly owned subsidiary of the Authority. The total value of the share capital is £1. The investment is 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.

The company is required to produce audited accounts for the year ended 31 March 2019 which are submitted to Companies House. Detailed below is a summary of the trading results for the year and net assets as at 31 March 2019.

	Year ended 31 March 2019
	£'000
Turnover	1,896
Less: Cost of Sales	(1,437)
<b>Gross Profit</b>	<b>459</b>
Overheads	(439)
<b>Net Profit/(Loss) before taxation</b>	<b>20</b>
Taxation on loss / profit	0
<b>Retained Profit/(Loss)</b>	<b>20</b>
Net Assets as at 31 March 2019	<b>20</b>

Cartrefi Croeso

Cartrefi Croeso is a wholly owned subsidiary of the Authority. The total value of the share capital is £100. The investment is 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.

The company is required to produce audited accounts for the year ended 31 March 2019 which are submitted to Companies House. Detailed below is a summary of the trading results for the year and net assets as at 31 March 2019.

	Year ended 31 March 2019
	£'000
Turnover	0
Less: Cost of Sales	(257)
<b>Gross Profit</b>	<b>(257)</b>
Overheads	(45)
<b>Net Profit/(Loss) before taxation</b>	<b>(302)</b>
Taxation on loss / profit	0
<b>Retained Profit/(Loss)</b>	<b>(302)</b>
Net Assets/(Liabilities) as at 31 March 2019	<b>(302)</b>

Egni Sir Gar

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. Carmarthenshire County Council are 100% shareholders of Egni Sir Gar Cyfyngedig.

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.

The total generation of electricity from the whole portfolio over the last year was 583MWhs (megawatt-hours), equating to approximately a saving of over £40,356 in reduced electricity bills for the tenants. This generation is equivalent to 310 tonnes of CO2 offset.

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

	<b>£'000</b>
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

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Mortgages raised on Council House Sales	1	1
Home Improvement Loans Longer than One Year	268	680
Charges against estates of persons in residential homes (Carmarthenshire County Council)	743	828
Charges against estates of persons in residential homes (External Providers)	1,671	1,721
Capital Contribution to the loans of 1st time homebuyers	1,098	1,098
Dwr Cymru Welsh Water	14	13
Car Loans	71	68
Loan National Botanic Garden of Wales	1,190	0
Loan Scarlets	2,616	2,616
Loan Towy Community Church	189	172
Loan Llesiant Delta Wellbeing	0	5
Empty Dwelling Management Orders	0	30
Other	65	65
	<b>7,926</b>	<b>7,297</b>

The Welsh Government's initiative Houses into Homes and Home Improvement Loans 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.

In November 2017 it was agreed by Executive Board to extend the Authority's interest free loan to the Botanic Garden for a further 2 years to 31st March 2020. 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 2019 is £1.267m 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. 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 0.75%) 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 0.75%) 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:

	31 March 2018 £'000	31 March 2019 £'000
Banks	12,166	12,154
Local Authorities	10,018	15,050
	<b>22,184</b>	<b>27,204</b>

#### 6.15 Assets Held for Sale

	Current Assets	
	2017-18 £'000	2018-19 £'000
<b>Balance at start of year</b>	0	0
<b>Assets newly classified as held for sale:</b>		
- Property, Plant and Equipment	1,524	1,486
Assets sold	(1,524)	(1,486)
<b>Balance at year end</b>	<b>0</b>	<b>0</b>

**6.16 Inventories**

	Education &				Total £'000
	Environment £'000	Children £'000	Leisure £'000	Other £'000	
<b>2017-18</b>					
<b>Balance as at 31 March 2017</b>	750	93	129	5	977
Purchases	2,888	2,055	109	162	5,214
Recognised as an expense in the year	(2,783)	(2,060)	(139)	(165)	(5,147)
Written off balances	0	(1)	(16)	0	(17)
Other net movements in year	3	0	0	0	3
<b>Balance as at 31 March 2018</b>	<b>858</b>	<b>87</b>	<b>83</b>	<b>2</b>	<b>1,030</b>
<b>2018-19</b>					
Purchases	2,843	2,100	111	167	5,221
Recognised as an expense in the year	(2,829)	(2,091)	(123)	(167)	(5,210)
Written off balances	0	(2)	0	0	(2)
Other net movements in year	0	0	0	0	0
<b>Balance as at 31 March 2019</b>	<b>872</b>	<b>94</b>	<b>71</b>	<b>2</b>	<b>1,039</b>

**6.17 Short Term Debtors**

	31 March 2018 £'000	31 March 2019 £'000
HM Revenue & Customs	3,452	3,009
Central Government	18,976	16,836
Police, Fire, National Park and Local Authorities	8,140	4,284
NHS Bodies	3,900	3,400
Council Tax Payers	3,472	3,640
Housing Tenants	1,200	2,271
Employee Related	58	64
Other	14,296	16,956
	<b>53,494</b>	<b>50,460</b>

**6.18 Cash and Cash Equivalents**

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

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
276	Cash held by the Authority	88
(2,503)	Bank current accounts	(1,734)
	Short-term deposits with banks, money market funds and debt management account deposit facility	28,523
17,007		
4,002	Short-term deposits with Local Authorities	0
<b>18,782</b>	<b>Total Cash and Cash Equivalents</b>	<b>26,877</b>

**6.19 Short Term Borrowing**

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

	<b>31 March</b>	<b>31 March</b>
	<b>2018</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Public Works Loan Board	9,611	8,090
Market Loan	64	63
Salix & Invest 2 Save	343	291
	<b>10,018</b>	<b>8,444</b>

**6.20 Short Term Creditors**

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
HM Revenue & Customs	(4,399)	(4,518)
Central Government	(2,090)	(3,078)
Police, Fire, National Park and Local Authorities	(2,388)	(1,720)
NHS Bodies	(998)	(776)
Housing Tenants	(542)	(500)
Council Tax Payers	(2,102)	(1,967)
Employee Related	(7,610)	(5,190)
Other	(39,685)	(39,914)
	<b>(59,814)</b>	<b>(57,663)</b>

**6.21 Provisions**

The summary below shows the movement in the level of provisions during 2018-19:

	<b>1 April</b>				<b>31 March</b>
	<b>2018</b>	<b>Reversal</b>	<b>Addition</b>	<b>Utilisation</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporate Services Department	175	(40)	81	0	216
Environment Department	1,139	(131)	221	(711)	518
Education & Children	152	0	121	(152)	121
Chief Executive Department	88	0	0	0	88
Communities Department	1,477	(1,272)	807	(46)	966
Losses on Investments	728	(11)	0	0	717
Municipal Mutual Insurance (MMI)	146	0	6	0	152
Landfill Site - Aftercare Provision	862	0	0	(127)	735
Insurance	505	0	55	0	560
	<b>5,272</b>	<b>(1,454)</b>	<b>1,291</b>	<b>(1,036)</b>	<b>4,073</b>

	<b>Current</b>	<b>Long</b>	
	<b>Liabilities</b>	<b>Term</b>	
	<b>(&lt; 1 year)</b>	<b>Liabilities</b>	
	<b>£'000</b>	<b>(&gt; 1 year)</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balances as at 31 March 2019</b>			
Corporate Services Department	40	176	216
Environment Department	415	103	518
Education & Children	121	0	121
Chief Executives Department	39	49	88
Communities Department	53	913	966
Losses on Investments	17	700	717
Municipal Mutual Insurance (MMI)	10	142	152
Landfill Site - Aftercare Provision	117	618	735
Insurance	560	0	560
	<b>1,372</b>	<b>2,701</b>	<b>4,073</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 and amounts due to HMRC relating to a prior year payroll tax adjustment.

**Environment Department**

The total includes £14k for remedial works due to subsidence in Crown Park, £82k bad debts – trade waste, £216k for approved asset transfer payments, £156k for Carbon Reduction Programme allowances in respect of emissions generated in 2018-19 and £50k for a Software Contract entered into for a 3 year period.

**Education & Children's Services**

A provision of £121k has been made to meet the authority's Carbon Reduction Commitment responsibilities relating to 2018-19 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 £753k is made for the potential write off of residents' contribution debt. A provision of £100k for legal/barristers costs for prosecutions relating to trading standards and animal health. A specific provision of £60k is made in respect of unrecoverable debts on rental income from properties. A Bad Debt provision of £18k was created during 2018-2019 regarding outstanding income. A £35k provision for maintenance work to be undertaken in respect of the damage to infrastructure at the Llandysul Paddlers site as a result of Storm Callum.

**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 2018 £'000</b>	<b>31st March 2019 £'000</b>	<b>Maturity Dates</b>
<b>Sources of Borrowing</b>			
Public Works Loan Board	385,421	400,421	2019-2068
Market Loans (Note i)	3,115	3,114	2019-2055
Interest Free Loans (Note ii)	4,400	4,109	2019-2033
	<b>392,936</b>	<b>407,644</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)

<b>Interest Free Loans Total Outstanding as at</b>	<b>31st March 2018 £'000</b>	<b>31st March 2019 £'000</b>
SALIX	27	7
Invest-2-Save	1,018	747
Home Improvement Loans Scheme	1,292	1,292
Town Centre Loans	2,063	2,063
	<b>4,400</b>	<b>4,109</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 2033, 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 2017 £'000	Transfers In £'000	Transfers Out £'000	31 March 2018 £'000	Transfers In £'000	Transfers Out £'000	31 March 2019 £'000
Insurance	9,945	1,913	(1,117)	10,741	1,566	(906)	11,401
Major Development Fund	37,485	2,043	(810)	38,718	250	(3,356)	35,612
Capital Investment Fund	86	0	0	86	0	0	86
Outcome Agreement Fund	9	0	(9)	0	0	0	0
MEP Capital Funding Development Fund	3,449	3,533	(3,042)	3,940	2,927	(194)	6,673
Schools Development Fund	1,514	333	(220)	1,627	140	(631)	1,136
City Deal	0	0	0	0	500	(127)	373
Public Lighting Invest 2 Save	0	2,000	0	2,000	2,100	(973)	3,127
Salix Fund	0	1,850	0	1,850	0	(549)	1,301
Corporate Retirement Fund	156	162	(184)	134	68	(83)	119
Job Evaluation	2,842	751	(634)	2,959	743	(17)	3,685
Redundancy	403	0	0	403	0	0	403
IT Infrastructure	808	87	(11)	884	43	(174)	753
Financial Management System	1,074	0	(153)	921	60	(132)	849
Parc Dewi Sant/St David's Park	117	0	0	117	200	0	317
Joint Ventures	511	0	(43)	468	0	(468)	0
Externally Funded Schemes	1,168	148	(68)	1,248	179	(247)	1,180
Support Carmarthenshire Business	1,706	987	(659)	2,034	1,275	(775)	2,534
Llanelly House	143	124	0	267	0	(88)	179
National Botanic Garden	410	0	(333)	77	120	0	197
Community Asset Transfer Fund	65	0	(30)	35	0	(35)	0
Fleet Management	212	0	(32)	180	0	(56)	124
Highways Capital Funding	1,376	1,087	(512)	1,951	232	(251)	1,932
Council Tax/Housing Benefit	847	131	0	978	87	0	1,065
Housing Services Schemes	1,631	0	0	1,631	0	0	1,631
Employee Development	1,223	1,442	(1,041)	1,624	1,607	(1,300)	1,931
Brexit	658	0	(193)	465	100	(230)	335
Tour of Britain	0	0	0	0	200	0	200
Departmental Reserves	0	0	0	0	525	0	525
Other	6,167	1,750	(2,244)	5,673	2,229	(1,855)	6,047
	128	15	(14)	129	123	(52)	200
	<b>74,133</b>			<b>81,140</b>			<b>83,915</b>
<b>Held by Schools under LMS</b>	1,710	1,583	(1,778)	1,515	1,045	(2,953)	(393)
	<b>1,710</b>			<b>1,515</b>			<b>(393)</b>
<b>HRA:</b>							
Major Repairs	0	6,190	(6,190)	0	6,209	(6,209)	0
Total	<b>0</b>			<b>0</b>			<b>0</b>

**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).

**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.

**Capital Investment Fund**

The fund was set up with aim of providing a means of supporting the Authority's Capital Programme.

**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.

**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.

**City Deal**

Funding set aside to meet potential future expenditure in respect of the city deal projects, such as project development costs, borrowing and interest costs and Carmarthenshire's contribution towards the overall city deal operating costs (including the Regional Office) as per the Swansea Bay City region Joint Agreement.

**Public Lighting Invest 2 Save**

Reserve set aside to provide additional financial support for the Welsh Government Invest-to-save project of converting street lamps to dimmable LED lighting. The initiative will deliver a legacy of reduced energy costs and associated carbon taxes achieved through a 3 year programme of converting approximately 12,000 sodium lantern units to lower energy consumption LED units which will incorporate part-night dimming regimes.

**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.

**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.

**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.

**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.

**IT Infrastructure**

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

**Financial Management System**

Set up to meet the funding of the significant investment in the provision and development of the new Financial Management System. This has been increased due to the need to improve the operational robustness and resilience of the system.

**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.

**Externally Funded Schemes**

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

**Support Carmarthenshire Business**

Reserve set aside to provide financial support to ratepaying businesses in Carmarthenshire experiencing difficulties 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.

**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.

**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.

**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.

**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.

**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.

**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.

**BREXIT**

This fund has been established to deal with any potential costs associated with Brexit.

**Tour of Britain**

This fund has been established to deal with costs of hosting the Men's and Women's Tour of Britain over the coming years.

**Departmental Reserves**

The Authority has a policy which permits allocations to departmental reserves, funded from in year underspends that can be allocated towards specific one off projects/services. This approach encourages prudent use of public money.

**6.24 Capital Receipts Reserve**

	2017-18 £'000	2018-19 £'000
Opening Balance	14,975	8,617
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,863	1,893
Statutory Capital Receipts	72	63
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	4	0
	<u>16,914</u>	<u>10,573</u>
Capital Receipts Set Aside	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	(8,296)	(4,615)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(1)	0
<b>Closing Balance</b>	<b><u>8,617</u></b>	<b><u>5,958</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**

	2017-18 £'000	2018-19 £'000
Opening Balance	591	564
Additions	62	5,839
	<u>653</u>	<u>6,403</u>
Grants and Contributions applied	(89)	(850)
<b>Closing Balance</b>	<b><u>564</u></b>	<b><u>5,553</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.

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
<b>(Restated)</b>		
<b>331,384</b>	<b>Balance at 1 April</b>	<b>343,509</b>
34,636	Prior Period Adjustment	0
9,002	Upward revaluation of assets	22,862
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the	
(20,779)	Provision of Services	(30,795)
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision	
22,859	of Services	(7,933)
(10,012)	Difference between fair value depreciation and	
(722)	historical cost depreciation	(10,331)
(10,734)	Accumulated gains on assets sold or scrapped	(564)
	Amount written off to the Capital Adjustment Account	(10,895)
<b><u>343,509</u></b>	<b>Balance at 31 March</b>	<b><u>324,681</u></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.

2017-18 £'000 (Restated)		2018-19 £'000
552,106	<b>Balance at 1 April</b>	<b>555,567</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
11,647	Prior Period Adjustment	0
(32,415)	Charges for depreciation and impairment of non-current assets	(35,858)
(17,427)	Revaluation losses on Property, Plant and Equipment	(16,133)
(1,995)	Revenue expenditure funded from capital under statute	(2,222)
	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	
(1,842)		(1,709)
510,074		499,645
722	Adjusting amounts written out of the Revaluation Reserve	564
510,796	Net written out amount of the cost of non-current assets consumed in the year	500,209
0	Capital Receipts Set Aside	0
(48)	Additional in Year Movements	(4)
8,296	Use of the Capital Receipts Reserve to finance new capital expenditure	4,615
1	Use of Capital Receipts to finance Cost of Sales	0
6,190	Use of the Major Repairs Reserve to finance new capital expenditure	6,209
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
14,631	Application of grants to capital financing from the Capital Grants	16,906
89	Unapplied Account	850
	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	
12,660	Capital expenditure charged against the General Fund and HRA balances	13,953
5,468		21,061
558,083		563,799
(2,516)	Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	(785)
<b>555,567</b>	<b>Balance at 31 March</b>	<b>563,014</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 2019 will be charged to the Council Fund over the next 4 years.

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
<b>(884)</b>	<b>Balance at 1 April</b>	<b>(937)</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	
(53)		103
<u><b>(937)</b></u>	<b>Balance at 31 March</b>	<u><b>(834)</b></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.

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
<b>336</b>	<b>Balance at 1 April</b>	<b>332</b>
	Transfer to the Capital Receipts Reserve upon receipt of cash	
(4)		0
<u><b>332</b></u>	<b>Balance at 31 March</b>	<u><b>332</b></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.

<b>2017-18</b> <b>£'000</b>		<b>2018-19</b> <b>£'000</b>
<b>(361,294)</b>	<b>Balance at 1 April</b>	<b>(320,704)</b>
67,425	Remeasurements of the net defined benefit liability/(asset)	(40,972)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	
(51,356)	in the Comprehensive Income and Expenditure Statement	(68,355)
24,521	Employer's pensions contributions and direct payments to pensioners payable in the year	24,394
<b><u>(320,704)</u></b>	<b>Balance at 31 March</b>	<b><u>(405,637)</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.

<b>2017-18</b> <b>£'000</b>		<b>2018-19</b> <b>£'000</b>
<b>(5,167)</b>	<b>Balance at 1 April</b>	<b>(5,151)</b>
5,167	Settlement or cancellation of accrual made at the end of the preceding year	5,151
(5,151)	Amounts accrued at the end of the current year	(3,655)
	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	
16		1,496
<b><u>(5,151)</u></b>	<b>Balance at 31 March</b>	<b><u>(3,655)</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>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
	<b>Expenditure</b>	
266,847	Employee Expenses	289,418
262,481	Other Service Expenses	262,770
30,868	Support Service Recharges	30,031
59,854	Depreciation & Similar Charges	62,322
52,037	Interest Payable & Similar Charges	52,946
30,197	Precepts & Levies	31,648
(21)	Gains/Losses on Disposal of Non Current Assets	(184)
<b>702,263</b>	<b>Total Expenditure</b>	<b>728,951</b>
	<b>Income</b>	
(148,317)	Fees, Charges & Other Service Income	(150,497)
(23,544)	Interest and Investment Income	(27,288)
(164,315)	Income from Council Tax & Net Proceeds from Non Domestic Rates	(169,195)
(327,300)	Grants and Contributions	(334,151)
<b>(663,476)</b>	<b>Total Income</b>	<b>(681,131)</b>
<b>38,787</b>	<b>(Surplus)/deficit on the provision of services</b>	<b>47,820</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 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.

	£'000	2017-18 £'000	£'000	2018-19 £'000
Funding provided to the pooled budget:				
the Authority	193		188	
the Local Health Board	382		382	
		575		570
Expenditure met from the pooled budget:		(601)		(517)
Net surplus/(deficit) arising on the pooled budget during the year		<u>(26)</u>		<u>53</u>
Authority share of the net surplus/ (deficit) arising on the pooled budget		<u>(13)</u>		<u>27</u>

**6.34 Members Allowances**

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

	2017-18 £	2018-19 £
Allowances	1,239,086	1,265,185
Expenses	50,554	56,586
<b>Total</b>	<b><u>1,289,640</u></b>	<b><u>1,321,771</u></b>

Further information on Members Allowances is available on the Authority's website [www.carmarthenshire.gov.wales](http://www.carmarthenshire.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 2017-18	No. of Employees 2018-19	Left During 2018-19
60,000 to 64,999	38	38	1
65,000 to 69,999	16	23	0
70,000 to 74,999	6	3	0
75,000 to 79,999	4	7	0
80,000 to 84,999	4	3	0
85,000 to 89,999	8	6	0
90,000 to 94,999	6	10	0
95,000 to 99,999	4	3	1
100,000 to 104,999	4	3	0
105,000 to 109,999	0	2	0
<b>Total No. of Employees :</b>	<b>90</b>	<b>98</b>	<b>2</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, including pension contributions or equivalent payments, where salary is £150,000 or more.

Post		Salary (including fees & allowances)	Pension contributions	Expense Allowances
Mr M V James	17/18	191,699	0	209
Chief Executive & Returning Officer	18/19	176,177	0	218

The salary figures above include fees in respect of County Council and Town & Community Council elections.

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

<b>Post</b>		<b>Salary (including fees &amp; allowances)</b>	<b>Pension contributions</b>
Director of Environment	17/18	120,565	18,278
	18/19	125,202	19,085
Director of Communities	17/18	135,540	20,466
	18/19	138,250	20,994
Director of Corporate Services	17/18	121,045	18,278
	18/19	125,682	19,085
Director of Education & Children's Services	17/18	118,566	17,840
	18/19	123,466	18,749
Director of Regeneration & Policy (i)	17/18	76,349	11,529
	18/19	121,250	18,412

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 15.1% for 2018/19 (15.1% for 2017/18) 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 & Policy was created in August 2017.

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

	<b>2017/18</b>	<b>2018/19</b>
Chief Executive's remuneration	£191,908	£176,395
Median remuneration of all employees	£21,962	£22,561
Ratio of the remuneration of the Chief Executive to the median remuneration of all employees	8.74 : 1	7.82 : 1

**6.36 Exit Packages**

During 2018-19 the Authority incurred 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.

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £	2018/19 £
£0 - £20,000	31	29	47	20	78	49	652,663	348,396
£20,000 - £40,000	2	0	17	7	19	7	493,608	170,721
£40,000 - £60,000	0	1	5	3	5	4	257,794	202,989
£60,000 - £80,000	0	0	7	2	7	2	516,976	129,854
£80,000 - £100,000	0	1	3	0	3	1	261,378	90,538
£100,000 - £150,000	0	0	6	0	6	0	687,738	0
<b>TOTAL</b>	<b>33</b>	<b>31</b>	<b>85</b>	<b>32</b>	<b>118</b>	<b>63</b>	<b>2,870,156</b>	<b>942,498</b>

**6.37 Audit Costs**

In 2018-19 Carmarthenshire County Council incurred the following fees relating to financial audit and inspection, payable to the Wales Audit Office:

	2017-18 £'000	2018-19 £'000
Financial Audit Services	184	184
Local Government Measure	100	100
Certification of Grant Claims & Returns	63	41
Burry Port Harbour Inspection	1	1
<b>Total</b>	<b>348</b>	<b>326</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 2018 to 30<sup>th</sup> June 2019:

Description	Policy Excess (per claim/ event)	Stop Loss	Indemnity Limit
Liability	Public Liability £263,000  Employers' Liability £135,825	£3,310,000	£30,000,000
Property	Education Properties - £250,000  General Properties - £50,000  Housing Properties - £50,000	£1,000,000	Sum Insured £2,019,429,709
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.

	2017-18 £'000	2018-19 £'000
<b>Credited to Services</b>		
<b>Education &amp; Children's Services:</b>		
DCELLS Post 16 & ACL Funding	5,921	5,896
Flying Start	3,915	3,839
Cymorth Grant	1,952	2,101
Education Improvement Grant	7,642	7,133
Deprivation Grant	4,761	4,885
European Social Fund	673	769
<b>Adult Social Services:</b>		
Supporting People	6,486	6,589
Continuing Health Care Grant	1,033	812
Intermediate Care Fund	1,951	1,168
Wanless Grant	844	876
General Capital Grant	3,556	2,346
Community Team Learning Disabilities *	3,039	0
<b>Highways &amp; Transport Services:</b>		
Concessionary Fares Subsidy	1,868	1,985
Local Transport Services Grant	767	972
Rural Development Plan	560	589
<b>Cultural, Environmental, Regulatory &amp; Planning Services:</b>		
Sustainable Waste Management Grant	3,659	1,222
ERDF	92	331
European Social Fund	489	587
Rural Development Plan	299	657
Communities First Cluster	457	2
Sports Council for Wales	514	491
<b>Central Services to the Public:</b>		
Housing Benefit	50,717	50,857
Other Grants - WG funded	6,353	5,857
Other Grants	6,989	5,380
<b>Total</b>	<b><u>114,537</u></b>	<b><u>105,344</u></b>

\* Grant incorporated into the Revenue Support Grant for 2018/19.

	2017-18 £'000	2018-19 £'000
<b>Revenue Support Grant</b>	<b>191,881</b>	<b>199,828</b>
<b>General Government Grants</b>	<b>0</b>	<b>25</b>
<b>Capital Grants and Contributions</b>		
21st Century Schools Grant/School Building Improvement Grant	4,248	3,435
Major Repairs Allowance	6,190	6,209
Transport Grants	5,906	6,598
Highways Improvement Fund	2,006	1,493
General Capital Grant	0	4,517
Intermediate Care Fund	0	1,939
Schools Maintenance Capital Grant	0	2,535
Other Grants & Contributions	2,532	2,228
	<b><u>20,882</u></b>	<b><u>28,954</u></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 2018 £'000	31 March 2019 £'000
<b>Revenue Grants Receipts in Advance</b>		
Communities various	65	65
Environment various	41	86
Education various	78	523
Chief Executive various	41	75
	<b><u>225</u></b>	<b><u>749</u></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

### Mid and West Wales Fire and Rescue Authority

With effect from January 2018, Carmarthenshire County Council's Director of Corporate Services fulfilled the Section 151 Officer duties for Mid and West Wales Fire and Rescue Authority under a Service Level Agreement (payable to Carmarthenshire). In addition, the Council provided a number of other financial and ICT support services. Mid and West Wales Fire and Rescue Authority charged a levy of £9.6m (£9.3m in 17/18) on Carmarthenshire as one of six Unitary County Authorities (See Note 5.2).

A summary of Carmarthenshire County Council's transactions with Mid and West Wales Fire and Rescue Authority is set out below:

	<b>2017-18</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Income	307	285
	<b>2018</b>	<b>2019</b>
Balances outstanding at 31st March:	<b>£'000</b>	<b>£'000</b>
Debtor	63	160

### Dyfed Pension Fund

The Dyfed Pension Fund is administered by Carmarthenshire County Council. The Fund is overseen by a committee, membership of which is drawn from Carmarthenshire County Councillors, advised by an independent advisor. The Director of Corporate Services is also the Responsible Finance Officer of the Dyfed Pension Fund. Similarly, the Council's Monitoring Officer is also the Monitoring Officer of the Pension Fund.

Transactions between the two bodies are detailed in Note 6.45. The Council charged the Pension Fund an amount of £1.0m (£0.9m in 2017/18) in respect of administration and support during 2018-19. Short Term Creditors (Note 6.20) includes an amount of £5.2m owed to the Dyfed Pension Fund at 31<sup>st</sup> March 2019 (£4.9m (restated) at 31<sup>st</sup> March 2018).

### Wales Pension Partnership

A Wales Investment Pool Operator has been appointed by the Wales Pension Partnership to manage the investments and the reduction of investment management expenses for all 8 Wales pension funds. Carmarthenshire County Council is the Host Authority to provide administrative and secretarial support and implement decisions made by the Joint Governance Committee of the Wales Pension Partnership. The Director of Corporate Services is also the Responsible Finance Officer of the Wales Pension Partnership. Similarly, the Council's Monitoring Officer is also the Monitoring Officer of the Wales Pension Partnership.

The Council charged the Wales Pension Partnership an amount of £129k (£15k in 2017/18) in respect of administration and support during 2018-19.

### 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. Following governance changes as outlined in Note 6.1.18, the Director of Environment was appointed as a company director of CWM Environmental. Furthermore, the council's interest as shareholder is managed through a Shareholder Board, which comprises members of the Corporate Management Team as well as the Executive Board Member for Environment.

CWM Environmental charged the Council an amount of £9.16m (£8.75m in 2017/18) in respect of waste services 2018-19. Short Term Creditors (Note 6.20) includes an amount of £1.24m owed to CWM Environmental at 31<sup>st</sup> March 2019 (£0.79m at 31<sup>st</sup> March 2018).

### 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.

### Cartrefi Croeso Cyfyngedig

Cartrefi Croeso Cyfyngedig is a housing company wholly owned by Carmarthenshire County Council. The company directors during the year included the Director of Communities, the Director of Regeneration & Policy and one Councillor. Shareholder reserved matters are exercised by the Chief Executive in consultation with the Director of Corporate Services. The company commenced activities during the year, financed by loan funding agreed by the Council.

The total expenditure of the company funded by the council was £302k and the loan outstanding to the council at 31<sup>st</sup> March was £302k.

### Llesiant Delta Wellbeing

Llesiant Delta Wellbeing is a company set up in 2017/18 to expand and grow the Careline service which is wholly owned by Carmarthenshire County Council. The council exercises shareholder reserved matters through a shareholder governance group, which includes members of the Corporate Management Team, Executive Board Members and other Councillors. The council's Careline service was transferred to the company during the year.

A summary of Carmarthenshire County Council's transactions with Llesiant Delta Wellbeing is set out below:

	<b>2017-18</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	0	1,680
Income	0	221
	<b>2018</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Balances outstanding at 31st March:		
Creditor	0	132
Debtor	0	103

Expenditure includes payment to Llesiant Delta Wellbeing for the provision of Careline Services to the Council, both for its own citizens and in fulfilment of contractual obligations which the Council has with third party customers

Income includes the agreed cost of support services provided to Llesiant Delta Wellbeing provided by council employees.

### 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 2018-19 is shown in Note 6.34.

The Authority paid grants totalling £34k to organisations in which nine 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 (in addition to those above)

#### Chief Executive

During 2018-19, the Chief Executive continued his role as a member of the Council of the University of Wales Trinity St David (UWTSD), which is the governing body of the university.

A summary of Carmarthenshire County Council's transactions with UWTSD is set out below:

	<b>2017-18</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	108	83
Income	208	124
	<b>2018</b>	<b>2019</b>
Balances outstanding at 31st March:	<b>£'000</b>	<b>£'000</b>
Creditor	42	39
Debtor	53	72

Expenditure includes payments to UWTSD for staff training and course fees.

Income includes a contribution to the City Deal Partnership

**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.

	<b>2017-18</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	57,498	60,623
Investment Properties	960	644
Heritage Assets	0	36
Long Term Loans	0	33
Revenue Expenditure Funded from Capital under Statute	7,968	4,984
	<u>66,426</u>	<u>66,320</u>
<b>Sources of Finance</b>		
Capital Receipts	8,297	4,615
Government grants and other contributions	26,794	25,876
Sums set aside from revenue	3,140	6,957
Direct revenue contributions	2,417	14,954
Borrowing	25,778	13,918
	<u>66,426</u>	<u>66,320</u>
<b>Opening Capital Financing Requirement</b>	<b>471,326</b>	<b>484,445</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrow (supported by government financial assistance)	3,572	3,440
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	9,547	(3,501)
Increase/(decrease) in Capital Financing Requirement	<u>13,119</u>	<u>(61)</u>
<b>Closing Capital Financing Requirement</b>	<b><u>484,445</u></b>	<b><u>484,384</u></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>2017-18</b> <b>£'000</b>	<b>2018-19</b> <b>£'000</b>
Not later than one year	743	723
Later than one year and not later than five years	1,996	1,688
Later than five years	4,085	3,906
	<u><b>6,824</b></u>	<u><b>6,317</b></u>

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

	<b>2017-18</b> <b>£'000</b>	<b>2018-19</b> <b>£'000</b>
Minimum Lease payments	987	979

**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:

	<b>2017-18</b> <b>£'000</b>	<b>2018-19</b> <b>£'000</b>
Not later than one year	1,123	1,158
Later than one year and not later than five years	2,979	3,775
Later than five years	25,102	26,803
	<u><b>29,204</b></u>	<u><b>31,736</b></u>

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

In 2018/19 £108,165 contingent rents were receivable by the Authority (£112,666 in 2017/18).

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 2018-19 Carmarthenshire County Council paid £10.1m to the Department for Education in respect of teachers' pension costs, which represents 16.48% of teachers and lecturers pensionable pay. The figures for 2017-18 were £10.1m 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 £12.8m.

In addition, the County Council is responsible for all pension payments relating to added years it has awarded together with the related increases. In 2018-19 these amounted to £0.401m.

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 Committee 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:

	2017-18 £'000	2018-19 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	40,095	38,539
Past Service Costs	111	21,521
Settlements and Curtailments	1,725	(302)
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	9,425	8,597
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	51,356	68,355
<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	(11,566)	(38,694)
Experience gain on liabilities	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	(55,859)	79,666
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	(16,069)	109,327
<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	(51,356)	(68,355)
<b>Actual amount charged against the Council Fund Balance for pensions in the year:</b>		
Employers' Contributions payable to Scheme	24,521	24,394

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

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

	<b>2017-18</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	1,030,154	1,062,305
Interest on plan assets	25,699	27,510
Experience gain on assets	11,566	38,694
Administration expenses	(700)	(604)
Settlements	0	(2,536)
Employer contributions	24,521	24,394
Contributions by scheme participants	7,354	7,655
Benefits paid	(36,289)	(35,765)
Balance as at 31 March	<u>1,062,305</u>	<u>1,121,653</u>

Reconciliation of Present Value of the Scheme Liabilities:

	<b>2017-18</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	(1,391,448)	(1,383,009)
Current Service Cost	(40,095)	(38,539)
Interest cost	(34,424)	(35,503)
Contributions by scheme participants	(7,354)	(7,655)
Experience gain on liabilities	0	0
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	55,859	(79,666)
Curtailments	(1,725)	(855)
Settlements	0	3,693
Benefits paid	36,289	35,765
Past service costs	(111)	(21,521)
Balance as at 31 March	<u>(1,383,009)</u>	<u>(1,527,290)</u>
<b>Net Scheme Liabilities</b>	<b><u>(320,704)</u></b>	<b><u>(405,637)</u></b>

The Dyfed Pension Fund assets comprised:

		<u>Quoted</u>	<b>2017-18</b> <b>£'000</b>	<b>2018-19</b> <b>£'000</b>
Equities	UK	Yes	215,647	218,722
	Overseas Pooled Funds	No	239,019	252,372
	US	Yes	106,231	120,017
	Canada	Yes	5,312	4,487
	Japan	Yes	36,118	37,015
	Pacific Rim	No	27,620	12,338
	Emerging Markets	No	83,922	98,705
	Pooled Overseas	Yes	0	0
	European ex UK	Yes	36,118	31,406
Bonds	UK Index linked	Yes	104,106	68,421
	UK Corporate	No	101,981	118,895
Property	Property Funds	No	99,857	152,545
Cash	Cash instruments	Yes	0	0
	Cash accounts	Yes	3,187	6,730
	Net current assets	No	3,187	0
<b>Total</b>			<b><u>1,062,305</u></b>	<b><u>1,121,653</u></b>

### Scheme History

	<b>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>	<b>2016-17</b> <b>£'000</b>	<b>2017-18</b> <b>£'000</b>	<b>2018-19</b> <b>£'000</b>
Present value of liabilities in the Local Government Pension Scheme	(1,126,044)	(1,103,940)	(1,391,448)	(1,383,009)	(1,527,290)
Fair value of assets in the Local Government Pension Scheme	849,893	839,426	1,030,154	1,062,305	1,121,653
<b>Surplus/(deficit) in the scheme</b>	<b><u>(276,151)</u></b>	<b><u>(264,514)</u></b>	<b><u>(361,294)</u></b>	<b><u>(320,704)</u></b>	<b><u>(405,637)</u></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 £406m 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 2020 is £24.6m.

### 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:

	2017-18	2018-19
	%	%
<b>Financial Assumptions:</b>		
Rate of CPI inflation	2.1	2.2
Rate of increase in salaries	3.60	3.70
Rate of increase in pensions	2.2	2.3
Rate for discounting Fund liabilities	2.6	2.4

	2017-18	2018-19
	%	%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	22.9	23.0
Women	25.6	25.7
Longevity at 65 for future pensioners:		
Men	25.1	25.2
Women	27.9	28.1

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis 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**

	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase or decrease of 1 year)	30,389	(30,389)
Rate of inflation (increase or decrease by 0.1% p.a.)	28,157	(28,157)
Rate of increase in salaries (increase or decrease by 0.1% p.a.)	4,915	(4,915)
Rate of increase in pensions (increase or decrease by 0.1% p.a.)	28,157	(28,157)
Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.)	(27,645)	27,645

#### 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 2019 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 has entered 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:

	Long Term		Current	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Financial liabilities (principal amount)	392,821	407,529	7,029	5,292
Accrued Interest	0	0	2,989	3,153
Other accounting adjustments	115	114	0	0
Financial liabilities at amortised cost	<b>392,936</b>	<b>407,643</b>	<b>10,018</b>	<b>8,445</b>
<b>Total borrowings</b>				
Loans and receivables (principal amount)	576	554	22,004	27,016
Accrued Interest	148	146	180	188
Investments at amortised cost	724	700	22,184	27,204
Equity at Fair Value through other comprehensive income				
Unquoted equity investment at cost	1,229	1,229	0	0
<b>Total investments</b>	<b>1,953</b>	<b>1,929</b>	<b>22,184</b>	<b>27,204</b>
Soft loans provided (Note i)	1,190	1,267	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 extended in 2017/18 with the expectation it will be repaid in 2019/20. 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:

	<u>Soft Loans</u>	
	31-Mar-18	31-Mar-19
Opening Balance	1,268	1,190
+ New loans granted	0	0
- Fair value adjustment	233	0
+ Loans repaid	155	77
<b>Balance carried forward</b>	<b>1,190</b>	<b>1,267</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:

	Financial Liabilities		Financial Assets		Totals	
	Liabilities measured at amortised cost		Loans and Receivables at amortised cost			
	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000	2017-18 £'000	2018-19 £'000
Interest expense	(17,613)	(17,443)	0	0	(17,613)	(17,443)
Impairment Losses	0	0	0	0	0	0
<b>Interest payable and similar charges</b>	<b>(17,613)</b>	<b>(17,443)</b>	<b>0</b>	<b>0</b>	<b>(17,613)</b>	<b>(17,443)</b>
Interest Income	0	0	429	465	429	465
<b>Interest and investment income</b>	<b>0</b>	<b>0</b>	<b>429</b>	<b>465</b>	<b>429</b>	<b>465</b>
<b>Net gain/(loss) for the year</b>	<b>(17,613)</b>	<b>(17,443)</b>	<b>429</b>	<b>465</b>	<b>(17,184)</b>	<b>(16,978)</b>

### Reclassification and remeasurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

£000s	New Classifications at 1 April 2018			
	Carrying amount brought forward at 1 April 2018	Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss
<b>Previous classifications</b>				
Loans and receivables	22,904	22,904	0	0
Equity investment	1,229	0	1,229	0
Soft loans	1,190	1,190	0	0
Remeasurements at 1 April 2018	0	0	0	0
<b>Remeasured carrying amounts at 1 April 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Impact on General Fund Balance				0
Impact on Financial Instruments Revaluation Reserve				0

### Effect of Asset Reclassification and Remeasurement on the Balance Sheet

There is no asset reclassification and remeasurement on the Balance Sheet.

### Employee Car Loans

The authority makes loans for car purchase to employees in the authority who are in posts that require them to drive regularly on the authority's business. Interest is charged at 1% above base rate on the loans.

Employee Car Loans	31 March	31 March
	2018	2019
	£'000	£'000
Opening Balance	128	71
New Loans	15	39
Loans repaid	(72)	(42)
<b>Closing Balance</b>	<b>71</b>	<b>68</b>

### Investments in equity instruments designated at fair value through other comprehensive income

With the introduction of IFRS 9 the authority has designated the following equity at 31 March 2019 as fair value through other comprehensive income:

Description	Nominal £'000	Fair Value £'000	Change in fair value during	
			2018/19 £'000	Dividends £'000
CWM Environmental Ltd	329	329	0	0
Egni Sir Gar Cyfyngedig	900	900	0	0

### 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 Public Works Loans Board (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 2018		31 March 2019	
	Carrying amount	Fair Value	Carrying amount	Fair Value
PWLB Debt	395,033	606,194	408,511	631,675
Non - PWLB debt	7,921	15,825	7,578	14,708
<b>Total Financial Liabilities</b>	<b>402,954</b>	<b>622,019</b>	<b>416,089</b>	<b>646,383</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 2018		31 March 2019	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Money market loans < 1year	22,184	22,184	27,204	27,204
Money market loans > 1year	724	724	700	700
Total investments	22,908	22,908	27,904	27,904
Trade Debtors	17,252	17,252	14,130	14,130
<b>Total Loans and Receivables</b>	<b>40,160</b>	<b>40,160</b>	<b>42,034</b>	<b>42,034</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 £631.675m 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 £408.511m would be valued at £539.169m. 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 £631.675m, comprising £405.421m principal; £3.089m accrued interest and a penalty of £223.165m.

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

- Level 1 Inputs – are unadjusted quoted prices in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 Inputs – are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 Inputs – are unobservable inputs for the asset or liability

#### **Fair Value of Financial Assets**

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

**Financial assets measured at fair value**

	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2018	31 March 2019
<b>Recurring fair value measurements</b>				
<b>Fair Value through Profit and Loss</b>			<b>0</b>	<b>0</b>
<b>Fair Value through Other Comprehensive Income</b>				
Equity shareholding in CWM Environmental Ltd	Level 3	At cost	329	329
Equity shareholding in Egni Sir Gar Cyfyngedig	Level 3	At cost	900	900
<b>Total</b>			<b><u>1,229</u></b>	<b><u>1,229</u></b>

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value.

Recurring fair value measurements using: 31 March 2019	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
<b>Financial Liabilities</b>				
<b>Financial liabilities held at amortised cost:</b>				
PWLB	0	631,675	0	<b>631,675</b>
NON PWLB	0	14,708	0	<b>14,708</b>
<b>Total</b>	<b>0</b>	<b>646,383</b>	<b>0</b>	<b>646,383</b>
<b>Financial assets</b>				
Loans and Receivables	0	27,904	0	<b>27,904</b>
<b>Total</b>	<b>0</b>	<b>27,904</b>	<b>0</b>	<b>27,904</b>

Recurring fair value measurements using: 31 March 2018	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Total £'000
<b>Financial Liabilities</b>				
<b>Financial liabilities held at amortised cost:</b>				
PWLB	0	606,194	0	<b>606,194</b>
NON PWLB	0	15,825	0	<b>15,825</b>
<b>Total</b>	<b>0</b>	<b>622,019</b>	<b>0</b>	<b>622,019</b>
<b>Financial assets</b>				
Loans and Receivables	0	22,908	0	<b>22,908</b>
<b>Total</b>	<b>0</b>	<b>22,908</b>	<b>0</b>	<b>22,908</b>

### 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.
- 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 21<sup>st</sup> February 2018 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £536m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £487m. 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 £467m and £47m 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 £21k 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 31 March 2019 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.

	Amount at 31 March 2019 £'000	Historical Experience of default %	Estimated maximum exposure to default £'000
<u>Deposits with banks and financial institutions</u>			
AAA rated counterparties	15,000	0.04	6.0
AA rated counterparties	17,500	0.02	3.5
A rated counterparties	23,000	0.05	11.5
BBB rated counterparties	0	0.15	0.0
Trade debtors	14,130	3.50	494.5
	<u><b>69,630</b></u>		<u><b>515.5</b></u>

The investment of £0.57m 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 £14.130m shown above includes £9.265m which is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>31st March 2018 £'000</b>	<b>31st March 2019 £'000</b>
Less than three months	1,863	1,734
Three to six months	1,049	874
Six months to one year	1,513	1,060
More than one year	5,257	5,597
	<b><u>9,682</u></b>	<b><u>9,265</u></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 2019 was £520k.

### 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.

	2017-2018			2018-2019		
	Approved Maximum	Approved Minimum	31st March 2018	Approved Maximum	Approved Minimum	31st March 2019
	Limit %	Limit %	£'000	Limit %	Limit %	£'000
Less than one year	15	0	10,018	15	0	8,444
Between one and two years	25	0	5,292	25	0	12,794
Between two and five years	50	0	29,566	50	0	25,930
Between five and ten years	50	0	39,979	50	0	40,793
More than ten years	100	25	318,098	100	25	328,127
			<b>402,953</b>			<b>416,088</b>

The maturity analysis of financial assets is as follows:

	2017-2018 £'000	2018-2019 £'000
Less than one year	22,184	27,204
Greater than one year	724	700
	<b>22,908</b>	<b>27,904</b>

All trade and other payables are due to be paid in less than one year and trade debtors of £14.130m 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 5 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	(334)
Increase in Government grant receivable for financing costs	(167)
Impact on Surplus or Deficit on the Provision of Services	(501)
Share of overall impact debited to the HRA*	227
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	<b>(274)</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>99,957</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 2019 and the Council Fund bearing the impact of the impairment. During 2018-19 £11k of the provision has been released and £717k is being maintained as a contingency against future changes. This figure is made up of £570k principal and £147k 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 £3.430m principal and £210k interest was received (85.75%) to 2018-19. An estimated further 1.00% is expected to be received, taking total dividends expected to be paid to 86.75%.

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

<b>Date</b>	<b>Repayment</b>
Received to date	85.75%
Qtr 1 2019-20	0.40%
Qtr 1 2020-21	0.60%

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:

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>	<b><u>Expenditure</u></b>	<b>£'000</b>
63	Employee Costs	0
46	Premises Related Costs	(4)
26	Supplies and Services	1
33	Support Service Recharges	20
0	Other Expenditure	526
3,215	Depreciation & Similar Charges	25
<b>3,383</b>	<b><u>Total Expenditure</u></b>	<b>568</b>
	<b><u>Income</u></b>	
(63)	Fees and Costs Recoverable	(10)
(1)	Other Income	0
<b>(64)</b>	<b><u>Total Income</u></b>	<b>(10)</b>
<b>3,319</b>	<b><u>Net Cost</u></b>	<b>558</b>

2017-18		2018-19
£'000	<u>Assets held:</u>	£'000
988	Infrastructure, Land & Buildings	963
0	Plant / Vehicles / Equipment	0
12	Assets Under Construction	12
<u>1,000</u>		<u>975</u>

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.

From 1<sup>st</sup> April 2018, Carmarthenshire County Council has granted a long term lease to The Marine & Property Group Ltd, who have taken over the running and management of Burry Port Harbour. The Other Expenditure of £526k relates to dredging works and maintenance to the harbour wall.

#### 6.49 Cash Flow Statement

The cash flows for operating activities include the following items:

2017-18		2018-19
£'000		£'000
17,816	Interest Paid	17,279
(350)	Interest Received	(444)

#### 6.50 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 2018/19 Code are:

- IFRS 16 – leases – A new leasing standard was issued on 1st January 2018, which will affect the classification of operating and finance leases for lessees, and result in a potentially significant increase in the number of leased in assets that are recognised on the balance sheet, as well as the liabilities associated with those assets. The implementation of this standard for local government was deferred until 1<sup>st</sup> April 2020 by CIPFA/LASAAC.

#### 6.51 Prior Period Adjustment

##### **Fixed Assets**

The preceding period's balance sheet has been re-stated to reflect various property assets that were wrongly valued or misclassified in a prior year. These adjustments have been reflected in the Movement in Reserves Statement, Balance Sheet and Notes 6.9, 6.11, 6.26 and 6.27.

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

2017-18 £'000		Note	2018-19 £'000
	<b>Expenditure</b>		
	Repairs and Maintenance		
1,948	- Responsive		1,969
5,096	- Planned/Cyclical		5,652
3,054	- Voids		2,690
7,701	Supervision and Management		8,081
1,290	Central Support Charges		1,336
319	Rents, Rates Taxes and other charges		264
218	Movement in the allowance for Bad Debts		293
14,956	Depreciation and Impairment of non current assets	8.11	15,933
	Revenue Expenditure funded from Capital under		
1	Statute		0
35	Debt Management Costs		36
<u>34,618</u>	<b>Total Expenditure</b>		<u>36,254</u>
	<b>Income</b>		
(37,622)	Dwelling rents	8.1	(39,156)
(117)	Non-Dwelling Rents		(123)
(29)	Leaseholders	8.2	(29)
(749)	Service Fees	8.2	(680)
(135)	Grants	8.6	(374)
(495)	Other Income		(395)
(446)	Commission - Water Rates	8.7	(361)
<u>(39,593)</u>	<b>Total Income</b>		<u>(41,118)</u>
<b>(4,975)</b>	<b>Net cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>		<b>(4,864)</b>
283	HRA services' share of Corporate and Democratic Core		283
<b>(4,692)</b>	<b>Net (Income)/cost for HRA Services</b>		<b>(4,581)</b>
	<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
12	(Gain) or loss on the sale of HRA Non Current Assets		(82)
9,734	Interest Payable and similar charges		9,698
(64)	Interest and Investment Income		(117)
233	Net interest on the net defined benefit liability (asset)		217
<u>(6,663)</u>	Capital grants and contributions receivable		<u>(6,367)</u>
<u><b>(1,440)</b></u>	<b>(Surplus) or Deficit for the year on HRA Services</b>		<u><b>(1,232)</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.

2017-18 £'000		Note	2018-19 £'000	2018-19 £'000
(14,011)	Balance on the HRA at the end of the previous year			(20,114)
(1,440)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account		(1,232)	
(4,763)	Adjustments between accounting basis and funding basis under statute	7.3	7,004	
(6,203)	Net Increase or (decrease) before transfers to or from reserves		5,772	
100	Transfers (to) or from reserves	7.4	28	
(6,103)	(Increase) or decrease in year on the HRA			5,800
<b>(20,114)</b>	<b>Balance on the HRA at the end of the current year</b>			<b>(14,314)</b>

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

2017-18 £'000		2018-19 £'000
(52)	Amortisation of Premiums and Discounts	(52)
0	Transfers to / (from) Accumulated Absences Account	1
(14)	Gain or loss on sale of HRA noncurrent assets	82
(680)	HRA share of contributions to or from the Pensions Reserve	(609)
0	Capital expenditure funded by the HRA	12,731
(4,017)	Transfer to / from the Capital Adjustment Account	(5,149)
<b>(4,763)</b>		<b>7,004</b>

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

2017-18				2018-19		
£'000	£'000	£'000		£'000	£'000	£'000
Trfs from	Trfs to	Net		Trfs from	Trfs to	Net
202	(138)	64	Insurance Reserve	203	(154)	49
0	(7)	(7)	Employee Developmental	0	(22)	(22)
42	0	42	Salix	1	0	1
1	0	1	Corporate Retirement Fund	0	0	0
<b>245</b>	<b>(145)</b>	<b>100</b>		<b>204</b>	<b>(176)</b>	<b>28</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 2018-19 this totalled £39.1m (£37.6m for 2017-18). At the 31<sup>st</sup> March 2019 3.02% of lettable properties were vacant (2.78% in 2017-18). Average rents were £84.93 a week in 2018-19 (£81.65 in 2017-18).

**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 £709k in 2018-19 (£778k in 2017-18).

**8.3 Rebates**

Assistance with rents is available under the Housing Benefit Scheme for those on low incomes. This totalled £23.2m in 2018-19 (£22.7m for 2017-18). 62.6% of the Council's tenants receive some help with the cost of rent and Council Tax (64.5% in 2017-18).

**8.4 Housing Stock**

The Council was responsible for managing on average 9,126 dwellings during 2018-19 (9,063 in 2017-18). The stock at 31 March 2019 was as follows:

	<b>2017-18</b>	<b>2018-19</b>
Houses	4,923	4,987
Flats / Maisonettes / Bedsits	1,987	1,992
Bungalows	2,181	2,181
	<b>9,091</b>	<b>9,160</b>

The change in stock can be summarised as follows:

	<b>2017-18</b>	<b>2018-19</b>
Opening Stock as at 1 April	9,035	9,091
Sales	(1)	0
Demolitions/Deactivated	0	0
New Building/Acquisitions/Conversions	57	69
Closing Stock as at 31 March	<b>9,091</b>	<b>9,160</b>

**8.5 Rent Arrears**

	<b>As at 31 March 2018 £'000</b>	<b>As at 31 March 2019 £'000</b>
Arrears	1,778	1,883
Arrears as a Percentage of Gross Rent Income	4.62%	4.67%

There is a 0.2% 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 2.37%. There is a 0.2% year on year increase in former tenants rent arrears as a percentage of gross collectable rent debit. This is 0.23% after allowing for the £172k write-offs.

Provision for Bad Debts at 31 March 2019 was £967,211 for rent (£1,060,771 inclusive of water rates). The comparative figures for 2017-18 are £848,954 for rent (£933,019 inclusive of water rates).

**8.6 Grants**

Supporting People Grant £135k (£135k in 2017-18) was received from the Welsh Government during 2018-19 as a result of the de-pooling of tenants support service costs. 2018/19 was the first year of receipt of Affordable Housing Grant, also from Welsh Government, which totalled £239k.

**8.7 Commission**

The Authority collects water rates on behalf of Dwr Cymru Welsh Water and receives commission on the monies due. In 2018-19 this amounted to £361k (£446k in 2017-18) net of void loss on properties. The value of water rates was £3.3m in 2018-19 (£3.5m in 2017-18).

**8.8 Capital Expenditure**

Capital Expenditure in 2018-19 on HRA land and dwellings totalled £21.591m (£17.929m in 2017-18).

The agreement to exit the Housing Revenue Account Subsidy placed a limit on the borrowing we could undertake in relation to our HRA activities. (Currently 228m). This agreement is due to be terminated imminently, removing the borrowing cap.

	<b>2017-18 £'000</b>	<b>2018-19 £'000</b>
<b>Funded by :</b>		
Major Repairs Allowance	6,190	6,209
Borrowing	11,266	2,334
Capital Receipts - Sales of Dwellings/Land	0	165
Grants	25	0
Capital Receipts - Mortgage Principal	1	0
Section 106 Income	447	158
Direct Revenue Financing	0	12,725
	<b>17,929</b>	<b>21,591</b>
<b>Spent on:</b>		
Houses	17,223	21,178
Land	477	0
Other	229	413
	<b>17,929</b>	<b>21,591</b>

**8.9 Capital Receipts**

Capital Receipts in 2018-19 totalled £0.165m (£0.057m in 2017-18). 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 and how much was placed in reserves.

	Financing Repayment Receipts				Financing Repayment Receipts			
	Expenditure	of Debt	Reserve	Total	Expenditure	of Debt	Reserve	Total
	2017-18	2017-18	2017-18	2017-18	2018-19	2018-19	2018-19	2018-19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sales of Council Dwellings	0	0	0	0	0	0	0	0
Sale of Land	0	0	54	54	130	0	0	130
Mortgage Principal	0	0	4	4	4	0	0	4
Other	0	0	(1)	(1)	31	0	0	31
	<b>0</b>	<b>0</b>	<b>57</b>	<b>57</b>	<b>165</b>	<b>0</b>	<b>0</b>	<b>165</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:

	2017-18 £'000 (Restated)	2018-19 £'000
<b><u>HRA Income &amp; Expenditure Statement</u></b>		
<b>Cost of Service:</b>		
Current Service Cost	989	970
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Cost	233	217
<b>Total Post Employment Benefit charged to the Surplus or (Deficit) for the year on HRA Services</b>	<b>1,222</b>	<b>1,187</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	(1,222)	(1,187)
<b>Actual amount charged against the HRA Balance for pensions in the year:</b>		
Employers' Contributions payable to Scheme	542	578
	<b>(680)</b>	<b>(609)</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>2017-18</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation on dwellings	11,509	11,954
Revaluation losses & impairments	3,447	3,979
	<b><u>14,956</u></b>	<b><u>15,933</u></b>

Revaluation losses and impairments were incurred on:

	<b>2017-18</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Houses	3,065	1,317
Land	41	0
Other	341	2,662
	<b><u>3,447</u></b>	<b><u>3,979</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

2017-18 £'000 31/03/18		2018-19 £'000 31/03/19
	<b>Income</b>	
(14)	Rent of Buildings/Land	(14)
(82)	Investment Income	(88)
0	Other Income	0
(96)		(102)
	<b>Expenditure</b>	
112	Grants to Voluntary & Other Organisations	116
20	Management and Administration	32
0	Professional Fees	0
36	<b>Revenue Account (Surplus)/Deficit for the Year</b>	46
(74)	Net Profit on Sales of Investments	(948)
86	Change in unrealised (Gains)/Losses on investments	846
	Change in unrealised (Gains)/Losses on Non- Current	
0	Assets	0
48	<b>Net (Surplus)/Deficit for the Year</b>	(56)

**Net Assets Statement**

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
<b>31/03/18</b>		<b>31/03/19</b>
3,595	Investments	3,668
950	Other Land & Buildings	950
4,545		4,618
0	Debtors	0
734	Cash	737
(92)	Creditors	(112)
5,187	<b>Net Assets</b>	5,243
	<b>Represented by</b>	
431	Capital Adjustment Account	431
500	Revaluation Reserve	500
2,145	Capital Fund	3,064
642	Revenue Fund	625
1,469	Unrealised Profit/(Loss) Reserve	623
5,187	<b>Closing Balance of Fund</b>	5,243

**Reconciliation of the Movement in Fund Net Assets**

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
5,235	Opening Net Assets	5,187
(36)	Revenue Account Surplus/(Deficit) for the Year	(46)
74	Net Profit on Sale of Investments	948
(86)	Unrealised Profit/(Loss) Reserve - Investments	(846)
0	Unrealised Profit/(Loss) Reserve - Non-Current Assets	0
5,187	<b>Closing Net Assets of the Fund</b>	5,243

**9.2 Fund Accounts for Carmarthenshire County Council**  
**Revenue Account**

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
<b>31/03/18</b>		<b>31/03/19</b>
	<b>Income</b>	
(6)	Rent of Buildings/Land	(6)
(33)	Investment Income	(35)
0	Other Income	0
<u>(39)</u>		<u>(41)</u>
	<b>Expenditure</b>	
55	Grants to Voluntary & Other Organisations	52
7	Management & Administration	7
0	Professional Fees	0
<u>23</u>		<u>18</u>
	<b>Revenue Account (Surplus)/Deficit for the Year</b>	
(30)	Net Profit on Sales of Investments	(389)
35	Change in unrealised (Gains)/Losses on Investments	347
0	Change in unrealised (Gains)/Losses on Non-Current Assets	0
<u>28</u>		<u>(24)</u>
	<b>Net (Surplus)/Deficit for the Year</b>	

**Net Assets Statement**

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
1,474	Investments	1,504
389	Other Land & Buildings	389
<u>1,863</u>		<u>1,893</u>
0	Debtors	0
146	Cash	151
(66)	Creditors	(77)
<u>1,943</u>	<b>Net Assets</b>	<u>1,967</u>
	<b>Represented by</b>	
177	Capital Adjustment Account	177
205	Revaluation Reserve	205
880	Capital Fund	1,256
79	Revenue Fund	74
602	Unrealised Profit/(Loss) Reserve	255
<u>1,943</u>	<b>Closing Balance of Fund</b>	<u>1,967</u>

**Reconciliation of the Movement in Fund Net Assets**

<b>2017-18</b>		<b>2018-19</b>
<b>£'000</b>		<b>£'000</b>
1,971	Opening Net Assets	1,943
(23)	Revenue Account Surplus (Deficit) for the Year	(18)
30	Net Profit on Sales Reinvested	389
(35)	Unrealised Profit/(Loss) Reserve - Investments	(347)
0	Unrealised Profit/(Loss) Reserve - Non-Current Assets	0
<u>1,943</u>	<b>Closing Net Assets of the Fund</b>	<u>1,967</u>

**10 TRUST FUNDS 2018-2019****10.1 Receipts & Payments Account for the Year Ended 31 March 2019**

Total		Education Services 2018-19 £'000	Social Services 2018-19 £'000	Cultural Services 2018-19 £'000	Total 2018-19 £'000
	<b>Receipts</b>				
(287)	Dividends/Interest/Sales/Contributions	(102)	(3)	(185)	(290)
342	<b>Payments</b>	100	6	217	323
<u>55</u>	<b>(Surplus)/Deficit</b>	<u>(2)</u>	<u>3</u>	<u>32</u>	<u>33</u>

**10.2 Balance Sheet as at 31 March 2019**

Total		Education Services 2018-19 £'000	Social Services 2018-19 £'000	Cultural Services 2018-19 £'000	Total 2018-19 £'000
	<b>Assets</b>				
263	Investments	239	24	0	263
17	Stocks	0	0	15	15
0	Debtors	0	0	0	0
517	Cash	260	55	173	488
<u>797</u>	<b>Total Assets</b>	<u>499</u>	<u>79</u>	<u>188</u>	<u>766</u>
	<b>Liabilities</b>				
(1)	Creditors	0	0	(2)	(2)
<u>(1)</u>	<b>Total Liabilities</b>	<u>0</u>	<u>0</u>	<u>(2)</u>	<u>(2)</u>
<u>796</u>	<b>NET ASSETS</b>	<u>499</u>	<u>79</u>	<u>186</u>	<u>764</u>

Investments are shown at Book Value, however their Market Value as at 31<sup>st</sup> March 2019 was £838,864 (£812,184 as at 31<sup>st</sup> March 2018).

**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.

**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 2019 was £693,723 (£706,720 as at 31<sup>st</sup> March 2018) 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 2019 was £971,728 (£1,125,494 as at 31<sup>st</sup> March 2018) 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 2019 was £94,861 (£102,294 as at 31<sup>st</sup> March 2018).

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 2019 was £5,965 (£5,584 as at 31<sup>st</sup> March 2018).

**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 2019 was £7,235 (£6,435 as at 31<sup>st</sup> March 2018).

## 13 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.