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**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2016**

**COUNTY HALL  
CARMARTHEN**

**Published Subject to Audit**



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## 1 EXPLANATORY FOREWORD

The following Statement of Accounts brings together in summary form the financial transactions of the Authority and of the Dyfed Pension Fund for the year 2015-16.

The Authority's Accounts for the year 2015-16 are set out on the following pages of this report, and have been produced in line with the 2015-16 Code of Practice on Local Authority Accounting (the Code).

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

#### **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 £222.417m being the true economic cost of providing the Authority's services, more details of which are 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 taxation position is shown in the Movement in Reserves Statement.

#### **The Balance Sheet**

This shows the assets and liabilities of the Authority as at 31 March 2016.

#### **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 2015-16 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	17,869	(5,384)	(300)	12,185	19,070	(6,881)	(300)	11,889	(296)
Education & Childrens Services	177,566	(39,179)	21,165	159,552	200,656	(61,534)	21,165	160,287	735
Corporate Services	89,703	(55,304)	(10,374)	24,025	92,514	(58,727)	(10,374)	23,414	(611)
Communities	126,264	(47,350)	15,488	94,402	129,086	(50,180)	15,488	94,394	(8)
Environment	108,780	(72,390)	11,875	48,265	114,368	(77,765)	11,875	48,478	213
<b>Departmental Expenditure</b>	<b>520,182</b>	<b>(219,607)</b>	<b>37,854</b>	<b>338,429</b>	<b>555,694</b>	<b>(255,087)</b>	<b>37,854</b>	<b>338,462</b>	<b>33</b>
Net Interest & Capital Accounting Adjustments				(11,241)				(12,640)	(1,399)
Pension Reserve Adjustment				(7,504)				(7,504)	0
Accumulated Leave				1,091				1,091	0
<b>Levies and Contributions:</b>									
Brecon Beacon Nat Parks				147				147	0
Fire Authority				9,067				9,067	0
<b>Net Expenditure</b>				<b>329,989</b>				<b>328,623</b>	<b>(1,366)</b>
Outcome Agreement Grant				(570)				(570)	0
Contribution to/(from) General Balances				(138)				280	418
Contribution to/(from) Earmarked Reserves				(1,060)				(1,060)	0
To/(from) Departmental Reserves				0				(381)	(381)
To/(from) Major Development Fund				0				2,789	2,789
<b>Net Budget</b>				<b>328,221</b>				<b>329,681</b>	<b>1,460</b>
Revenue Support Grant				(199,071)				(199,071)	0
Non Domestic Rates				(53,410)				(53,410)	0
Council Tax				(75,740)				(77,200)	(1,460)
				0				0	0

The financial position, at year end showed an over-spend at service level within the year of £33k.

The Education department was £735k over budget, due to school based EVR and redundancy costs. The Environment budget experienced pressures mainly within Property Services and Streetscene resulting in an overspend of £213k due to reduced income as a result of a reduction in the Carmarthenshire Housing Standard related work and proposed efficiencies not yet met. The under-spends in the other departments, plus the savings on capital financing costs and a higher than estimated collection level on Council Tax means that the Authority transferred £280k to general reserves for the 2015-16 financial year compared to a budgeted transfer from reserves of £138k.

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	40,133	(36,621)	3,512	38,699	(37,158)	1,541	(1,971)
Transfers to/from HRA balances	0	0	(3,512)	0	0	(1,541)	1,971

The Housing Revenue Account (HRA) reported an under spend of £1,971k for the year. The main variances were:

- reduced revenue Repairs and Maintenance -£167k due to poor weather conditions
- supervision and Management costs -£78k,
- interest applicable to existing borrowing and buy-out from HRAS +£142k.
- due to the HRA capital programme underspend arising from savings on some contracts (£1.9m) and the requirement to roll forward on other contracts due to adverse weather (£1.8m), this has impacted on the direct revenue funding anticipated in the budget monitoring by -£1.42m
- improvement in delivering savings on void turnaround times etc. -£439k.
- the requirement for provision for bad debt is -£394k based on current aged debt analysis and write offs.

### 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)	3,677	
Generally available for new expenditure	8,779	12,456
Housing Revenue Account		9,120
		<u>21,576</u>

In addition to general reserves the Authority holds earmarked reserves of £66.131m for specific purposes.

### 1.4 Borrowing

£99m new borrowing was taken from the Public Works Loans Board (PWL) in 2015-16. £79m of this new borrowing was to fund a one off payment to the Welsh Government under recent Housing Reform, which removed the Authority's obligation to the Housing Subsidy system.

As at the 31 March 2016 the Authority's total borrowing stood at £376m, which was within the Authority's authorised limit of £549m. Further detail is included in Note 6.46 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 £265m therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

## **1.6 Current Economic Climate**

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

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

The funding for the public sector has had a consistent theme over recent years with the level of resources available to public services seeing significant reductions. The Authority's current three year Medium Term Financial Plan (MTFP) was agreed by Council in February 2016 and was based on estimates of known commitments and formulated in the context of the late financial settlement for 2016-17 with no indicative settlements available from WG for future years.

The result of the European Referendum was that the United Kingdom voted to leave the European Union. The full impact of this decision has yet to be determined. The Chancellor of the Exchequer's statement to the markets on Monday 27<sup>th</sup> June 2016 stated that the UK was ready to face the position 'from a position of strength' and he indicated that there would be no immediate emergency budget. The Chancellor did however state that there would still need to be an 'adjustment' in the UK economy, but added it was 'perfectly sensible to wait for a new prime minister' before taking any such action. Accordingly it is likely to the Autumn of 2016 before we know whether there will be any further reductions in funding for the public sector spending over and above that already reflected in the Comprehensive Spending Review.

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

## **1.7 Capital**

In 2015-16 the Authority spent some £84.8m on capital projects and capitalised a further £79m relating to the buyout of the Housing Revenue Account (HRA) subsidy (see Note 8.6), a total to £163.8m. This expenditure was financed by a combination of borrowing, useable capital receipts, government grants, contributions and direct revenue financing.



£98.4m was spent on Housing with the areas of spend being as follows:

**Public Sector**

Refurbishment & Redevelopment of Housing Stock £15.3m

HRA Subsidy Buyout £79.0m

**Private Sector**

Disability Facility Grants £2.2m

Energy Efficiency Works £1.4m

Other Improvements £0.5m

The non-housing capital programme involved expenditure on all services. The major areas of expenditure were as follows:

	£'m	
Education & Childrens Services	32.8	New Schools, Renovations and Improvements & Childrens Services projects
Leisure	0.2	Rights of Way, Sports & Leisure, Arts & Culture and Libraries
Infrastructure	8.2	Roads, Bridges, Cycle Paths, Road Safety, Car Parks, Waste Management and Fleet Management
Economic Development	15.5	Physical Regeneration Projects County Wide, Community Development and Joint Ventures
Social Services	3.1	Care Homes and Learning Disability Developments
Corporate	5.6	Capital Minor Works and IT Strategy Developments

**1.8 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 following changes will be required from 1 April 2016:

IAS 1 - Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. In addition to the changes to IAS1, the Telling the Story review of the presentation of local authority financial statements means there will be changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis.

Other standards introduced in the 2016/17 Code are amendments to IAS19 Employee Benefits, IFRS 11 Joint Arrangements, IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets. There are also changes due to Annual Improvement to IFRS cycles 2010-2012 and 2012-2014. These are not anticipated to have a material impact on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

**1.9 Changes in Accounting Policy**

Changes to the 2016/17 Code of Practice will require all Local Authorities to value their Highways Network Asset using a Depreciated Replacement Cost basis rather than the current valuation basis of Depreciated Historical Cost.

This change in accounting policy is likely to result in a significant increase in the value of these assets and retrospective restatement of the Council's Balance Sheet from 1 April 2015 would normally be required, however CIPFA/LASAAC has introduced transitional arrangements so that this will be applied from 1 April 2016 with no requirement to restate the information in the prior year.

In 2016/17 the Highways Network Asset category will need to be recognised on the Balance Sheet and in the notes and removed from the Property, Plant and Equipment category.

**1.10 Further Information**

Further information about the accounts is available from the Interim 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.

### **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 27 to 166 gives a true and fair view of the financial position of Carmarthenshire County Council and the Dyfed Pension Fund at 31<sup>st</sup> March 2016 and its income and expenditure for the year ended 31<sup>st</sup> March 2016.

Chris Moore FCCA  
Director of Corporate Services

Dated: 30 June 2016

### 3 ANNUAL GOVERNANCE STATEMENT

#### 3.1 Scope of Responsibility

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

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

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

A **Corporate Governance Group** comprising key Officers and 2 Executive Board Members is in place to inform and monitor progress on issues affecting Governance, including the **Code of Corporate Governance**, approved by Council in June 2012 and updated by Audit Committee in March 2016. The Chair of the Audit Committee is invited to the Corporate Governance Group meetings in an observer capacity. The Code of Corporate Governance recognises policies and processes that are consistent with the principles of the CIPFA / SOLACE Framework '**Delivering Good Governance in Local Government**'.

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 6 fundamental principles of Corporate Governance being:-

**Principle 1** *Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area*

- Principle 2** *Members and officers working together to achieve a common purpose with clearly defined functions and roles*
- Principle 3** *Promoting values for the Authority and demonstrating the values of good Governance through upholding high standards of conduct and behaviour*
- Principle 4** *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk*
- Principle 5** *Developing the capacity and capability of Members and officers to be effective*
- Principle 6** *Engaging with local people and other stakeholders to ensure robust public accountability*

The Authority addresses the 6 Fundamental Principles through the following:

### 3.3.1 **Purpose and Vision**

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

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

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

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

### 3.3.2 **Core Values**

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

Working as One Team we:

1. Focus on our **CUSTOMERS**
2. **LISTEN** to improve
3. Strive for **EXCELLENCE**
4. Act with **INTEGRITY**
5. Take personal **RESPONSIBILITY**

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

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

At County Council on the 18<sup>th</sup> May 2016 the Leader delivered his Annual Report reviewing 2015-16 and his Forward Work Plan 2016-17.

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

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

The Authority's sophisticated system for Performance Management is well used by Officers and Members and is used as a 'real-time' tool (via the Dashboard facility) by the Corporate Management Team and 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. In a further development the Performance Management system has been developed into the dashboard style report and Executive Board, CMT and soon all Scrutiny Committees will monitor performance on their iPads.

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

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

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

### 3.3.5 **Ensuring Effective External Communication**

The Authority has a centralised Marketing and Media team (newly integrated team of the former Press, Communications, Tourism and Translation teams) who are committed to deliver effective communications with our residents by pro-actively engaging and promoting openness to protect and enhance the reputation of the Council. The forthcoming **Marketing and Media Strategy Strategy** will focus on the importance of engaging and communicating with our audiences in a manner which provides a clear call to action and ensuring that we deliver messages that are asked of us.

The Authority has seen a clear increase in the use of Social Media and the Corporate Website as a way for our audience to communicate and engage with the Council. There are now some 4,070 followers on **Facebook**, (FB) 5,653 followers on **Twitter**. With an average post/tweet reaching 21,758 people on FB and 175,500 on Twitter. The **corporate website** receives on average 79,545 user sessions per month (stats: May 2016). The Council is responding to this by utilising Digital Marketing as a key communication tool via the Corporate Website, iLocal, Micro-Sites, Social Media and email marketing.

Traditional methods are also essential to ensure we reach the maximum audience. Methods such as local and national media (average 1500 press releases are sent per annum). Marketing campaigns such as *"Love your Local Market"*, Recycling, Fostering and Housing Options are delivered alongside the newly designed **'Carms News'** which is delivered to every household in the County - a *'whole public service'* vehicle overseen by the Public Services Board.

### 3.3.6 **Managing Performance / Scrutiny Function**

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

During 2015/16 the Council implemented a new procedure whereby Heads of Service were challenged by Executive Board members on their Business Plans. This challenge programme was repeated in May/June 2016.

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

Performance data is held on the Council's computerised PIMS system (Performance Information Management System) and this is available to Directors, Heads of Service and Members on a 'real-time' basis. Again the development of a dashboard style of reporting makes this more accessible.

An exception based report on our key measures and actions are reported quarterly to both Corporate Management Team and the Executive Board and this enables any problem areas to be identified at an early stage and remedial action taken.

The Authority is a partner in the Public Service Board (PSB) and the Council's Policy and Resources Committee receives an Annual Performance Report from the incumbent Chair of the PSB.

### 3.3.7 **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. A wholesale review of the Constitution was commenced by a politically balanced 10 member strong cross-party Constitutional Review Working Group (CRWG) of the Council in December 2014 following the commissioning and publication of a Report by a Peer Review Team of the Welsh Local Government Association. CRWG's recommendations were presented to an Extraordinary General Meeting of the Council on 17<sup>th</sup> June 2015 and the changes approved by the EGM adopted by Council on the 9<sup>th</sup> September 2015.

During 2015/16 the Authority implemented **modern.gov** as its system of meeting administration and Members were provided with Tablet Devices (ipads) for the conduct of their Council business.

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).*
- 6.1 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.

6.2 Management Structures

7. Names & Addresses of Councillors

8. Bilingual Composition of Executive Board and Committees

As well as the wholesale review of the Constitution mentioned above, 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.

**3.3.8 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.

**3.3.9 Monitoring Officer**

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

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

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

### 3.3.10 **Financial Administration (Section 151 Officer)**

Up until 4<sup>th</sup> September 2015 the Head of Financial Services was the responsible officer for the administration of the Authority's affairs under Section 151 of the Local Government Act 1972 and carried overall responsibility for the financial administration of the County Council. This responsibility passed to the newly appointed Director of Corporate Services from 5<sup>th</sup> September 2015.

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 determines the budget preparation and financial monitoring process.

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

### 3.3.11 **Risk Management**

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

Champions and is chaired by the Head of Audit, Risk & Procurement.

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

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

### 3.3.12 **Corporate Governance Group**

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

- Executive Board Member for Resources
- Executive Board Member for Communities
- Chair of Audit Committee (in an observer capacity)
- Director of Corporate Services (s.151 Officer from 5<sup>th</sup> September 2015) previously Head of Financial Services (interim s151 Officer to 4<sup>th</sup> September 2015)
- Head of Administration & Law (Monitoring Officer)
- Interim Head of Financial Services (from 14<sup>th</sup> September 2015)
- Assistant Chief Executive (Regeneration & Policy)
- Assistant Chief Executive (People Management)
- Head of Audit, Risk & Procurement
- Audit & Risk Manager
- HR Manager

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

In addition, the Group now oversees the work of the Information Management Group (see 3.3.15).

### 3.3.13 **Dealing with Complaints**

The Authority has a **Corporate Complaints Policy** and details of the complaints received are monitored by the Scrutiny Committees and annually by the Standards Committee. The Complaints Procedure is in line with the Model Procedure put forward by the Local Government Ombudsman.

The Authority has a centralised Complaints Team which will ensure compliance with the standards we set out in our Policy and ensure consistency of approach across the whole Authority.

Annual reports are provided to the Corporate Management Team, Executive Board and Scrutiny Committees with more detailed monthly reports provided to Departmental Management Teams in order to monitor trends, identify problem areas and generate service improvement based on customer experience. The Authority investigated and responded to 501 complaints during 2015/16 compared to 573 during 2014/15. The Complaints Team also addressed a further 520 enquiries and requests for assistance which offered the Team the opportunity to try and rectify difficulties before complaints arose.

### 3.3.14 **Managing our Workforce**

Carmarthenshire County Council has some 8,200 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

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

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

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

The Authority conducted an Equal Pay Audit during 2015/16 the results of which do 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 will continue to gather data on all protected characteristics with a view to being able to include more characteristics in future audits and will undertake a further Equal Pay Audit for the financial year 2016/17 to monitor trends in any pay gaps, and continue to review allowances to ensure they are a) paid in a fair and consistent manner and b) remain relevant as the economic climate changes.

### 3.3.15 **Information Assets**

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

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

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

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

Work is ongoing around the role and responsibilities of Information Asset Owners (IAOs). During 2015/16 training sessions were provided to third tier managers as IAO's to help them understand the importance of the assets for which they are responsible; to encourage responsible sharing of data where this will promote better service delivery; and to fully understand what is needed to ensure the integrity and security of data. The development and maintenance of an Information Asset Register has also begun and will continue as a key priority for 2016/17.

The Corporate Information Governance Group is also looking at ways to improve awareness and the dissemination of information, including a newsletter highlighting legislative changes, security priorities, best practice and potential risks and pitfalls.

### 3.4 **Review of Effectiveness**

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

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

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

- Council
- Leadership / Executive Board
- Executive Board Members
- Scheme of Delegation to Officers
- The Audit Committee / Scrutiny Committees / Risk Management Steering Group
- Standards Committee
- Internal Audit

- External Audit
- Public Services Ombudsman for Wales

#### 3.4.1 **Council**

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

The Wales Audit Office, Corporate Assessment Report 2015, published January 2016 concluded that:

- The Council has made good progress in establishing improved governance arrangements which are now more robust and transparent, although there are opportunities for further improvements to enable Members to be more effective in their roles.
- Continue to improve Governance, decision making, openness and transparency and keep under review by the Constitutional Review Working Group

#### 3.4.2 **Leadership / Executive Board**

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

The Administration of the Council changed in May 2015 and is now a Plaid / Independent Coalition as opposed to the previous Labour / Independent Coalition. As a result the Council's Full Forward Work programme is slightly delayed but will be published shortly.

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

#### 3.4.3 **Executive Board Members**

The Executive Board Members have decision making powers in relation to their own portfolio areas. Their decisions are published and are subject to call in by the relevant Scrutiny Committees (ref para 3.4.8 below).

Following the change in Administration the portfolios have been slightly amended.

#### 3.4.4 **Scheme of Delegation to Officers**

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

### 3.4.5 **Audit Committee**

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

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

Under the ***Local Government Wales Measure 2011*** it is mandatory for Local Authorities to have an Audit Committee. The Measure provides that there must be an independent External Voting Member on the Audit Committee and an External Voting Member was appointed by the Council for a period of 3 years at its 12<sup>th</sup> June 2013 meeting. Following an external advertisement process a new external voting Member was approved by County Council on 8<sup>th</sup> June 2016.

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

### 3.4.6 **Democratic Services Committees**

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

During 2015/16 the Group Leaders conducted one to one Personal Development Reviews with their Members to, amongst other things, ascertain their training and development needs.

### 3.4.7 **Scrutiny Committees**

As highlighted in Section 3.3.6, 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 detailed half-year report on performance which includes an update on all Performance Indicators and Key Actions contained within Divisional Business Plans.

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

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

#### 3.4.8 **Standards Committee**

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

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

#### 3.4.9 **Dyfed Pension Fund Panel**

Carmarthenshire County Council is the statutorily appointed Administering Authority for the Dyfed Pension Fund. The Pension Fund Panel comprises 3 County Council Members plus a nominated substitute to act in the absence of a Member. The Pension Fund Panel has the following responsibilities:

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

During 2015-16 the Pension Fund Panel was supported by the Director of Corporate Services and Head of Financial Services, the Financial Services Division and an Independent Investment Adviser. The Head of Financial Services was the Section 151 Officer until his subsequent appointment as Director of Corporate Services from 5<sup>th</sup> September 2015.

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

During 2015/16 the Authority established a Local Pensions Board as required under Public Service Pension Act (PSPA) 2013. This Board 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.

#### 3.4.10 **Risk Management Steering Group**

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



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

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

The Wales Audit Office have consistently been able to place reliance on the work of Internal Audit.

### 3.4.12 **External Audit (Wales Audit Office)**

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

The Annual Improvement Report is seen as a key driver for improvement.

In 2013-14 the Wales Audit Office began a four-year cycle of corporate assessments for the improvement authorities in Wales. This means that, in addition to an annual programme of improvement studies and audits of councils' approaches to improvement planning and reporting, each authority receives an in-depth corporate assessment once during a four-year period. In the autumn of 2015 Carmarthenshire was examined and in January 2016 the Wales Audit Office Report was received.

The Auditor General concluded that:

*“Carmarthenshire County Council, demonstrating ambition in its vision, with collective leadership and more robust and transparent governance, is delivering improved outcomes for its citizens although some out-dated approaches may limit the speed of progress.”*

Overall the report was very favourable and made no recommendations for improvement. It did however make six proposals for improvement and these are addressed in the *Making Better Use of Resources* and *Being a Better Council* sections of this plan January 2016.

### **Wales Audit Office – Annual Improvement Report – March 2016**

The Annual Improvement Report largely repeated the Corporate Assessment findings and added further comments on our Annual Report and Improvement Plan (ARIP) approach:

*“The combined review of past performance with the actions the Council plans to take next within a single document allows the reader to form a balanced picture of how well the Council is performing. The ARIP is lengthy and detailed and there is also a useful summary, together they provide all the information the reader could need. The ARIP and summary are published in Welsh and English, with appropriate arrangements for publicity. The report is easy to find on the Council’s website.”*

We also maintain a log of regulatory reports and recommendations.

### 3.4.13 **Public Services Ombudsman For Wales**

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

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

### 3.5 **Governance Issues to be Addressed**

Maintaining good Governance is an ongoing task. Undoubtedly the reduced revenue and capital funding from the Welsh Government will have a significant impact on the ability of the Authority to maintain and develop services and will impact upon issues of Governance.

Key issues of Governance which were identified in previous years’ Annual Governance Statements are shown in Appendix 1 together with an update of progress made in managing each of the issues.

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

1. Respond to the Future Generations Act and develop effective working relationships to work in collaboration with PSB Partners
2. Monitor Compliance with Welsh Language Standards
3. To ensure an Action Plan relating to proposals for improvement raised in the Corporate Assessment 2015/16 is completed and monitored
4. Develop Members Training Programme to ensure that suitable arrangements are in place for May 2017 onwards following the Local Government Elections
5. Review Governance Arrangements for Partnership agreements and Regional working
6. Develop effective relationships with the new Police Commissioner, Welsh Government Assembly Members and Town and Community Councils to ensure maximum co-operation
7. Assess and monitor the impact of the Partnership City Deal on the Authority
8. Develop and maintain an Information Asset Register
9. Develop a new Risk and Business Continuity Strategy
10. Review the WAO Grant Certification Report 2014/15 issued by WAO in May 2016 and implement any agreed actions

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

**Approval****Leader of Council****Date****Chief Executive****Date**

**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 2012/13 No. 1	Governance of Partnerships and Commissioning The Corporate Governance Group is committed to increasing its focus on governance of partnerships and commissioning to ensure that the arrangements in place are appropriate and robust.	Assistant Chief Executive (Regeneration & Policy)	A major review of all Partnerships and Commissioning has taken place and the PSB (former LSB) has agreed to its recommendations. The findings now form part of the new partnership structures reporting to the PSB.	Completed
AGS 2013/14 No. 3	Review Constitution and consider adopting "Modular Constitution"	Head of Administration and Law	CRWG presented its recommendations to Full Council 17 <sup>th</sup> June 2015 and the changes agreed by Council were adopted at its meeting of the 9 <sup>th</sup> September 2015.	Completed
AGS 2013/14 No. 5	Review Financial Procedure Rules and ensure Budget Managers are fully aware of their responsibilities	Head of Audit, Risk & Procurement  Head of Financial Services	Budget Manual, Grants Project Manual and Managing Capital Manual reviewed and updated version approved by Audit Committee (11 July & 26 September 2014)  Contract Procedures and Financial Procedure Rules update to be approved by Audit Committee 2016/2017	Ongoing
AGS 2014/15 No. 1	Working with the new Administration to develop a 5 Year Forward Work Programme and priorities for the Council	Assistant Chief Executive (Regeneration and Policy)	As there are Council elections in 2017 Cllr Dole as Leader presented a 12 month forward work programme in May 2016	Completed (Key Issue for new Council in 2017)

<i>UPDATE ON OUTSTANDING GOVERNANCE ISSUES IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS</i>				
<b>SOURCE</b>	<b>ISSUES</b>	<b>RESPONSIBLE OFFICER</b>	<b>ACTIONS/PROGRESS</b>	<b>STATUS</b>
AGS 2014/15 No. 2	Responding to the Corporate Assessment to be undertaken by Wales Audit Office during 2015/16	Assistant Chief Executive (Regeneration and Policy)	Action plan has been produced and approved by Executive Board May 2016.	Completed
AGS 2014/15 No. 3	Implement the Governance Review decisions approved by Council	Head of Administration and Law	Council agreed changes on 17 June 2015 and approved the drafting for the implementation on 9 September 2015.	Completed
AGS 2014/15 No. 4	Ensure that 100% of Managers complete the Whistleblowing E-learning module	Head of Administration and Law	By the deadline of October 2015 all People Managers have completed the e-learning module.	Completed
AGS 2014/15 No. 5	Implement new Pensions Board	Head of Financial Services	Pensions Board implemented by the deadline of August 2015	Completed
AGS 2014/15 No. 6	Responding to the new EU General Data Protection Regulation (GDPR) (as a replacement to the Data Protection Act 1998)	Assistant Chief Executive (Regeneration and Policy)	No guidance had come through during 15/16 to address the new legislation which was delayed and only became live on May 26 <sup>th</sup> 2016	Ongoing
AGS 2014/15 No. 7	Review the WAO Grant Certification Report 2013/14 and implement any agreed actions	Head of Financial Services /Grants Panel	All actions reviewed and followed up with departments.	Completed
AGS 2014/15 No. 8	Monitor progress with implementing improvements in the management of Supporting People Grant	Head Of Housing & Public Protection	Monitoring in place through quarterly reporting to the Audit Committee. Progress has been positive and changes have been implemented.	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 2015/16 No. 1	Respond to the new Future Generations Act and develop effective working relationships to work in collaboration with PSB Partners	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 2	Monitor compliance with Welsh Language Standards.	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 3	To ensure an Action Plan relating to proposals for improvement raised in the Corporate Assessment 2015/16 is completed and monitored	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 4	Develop Members Training Programme to ensure that suitable arrangements are in place for May 2017	Assistant Chief Executive (People Management and Performance)	March 2017
AGS 2015/16 No. 5	Review governance arrangements for Partnership agreements and Regional working.	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 6	Develop effective relationships with the new Police Commissioner, Welsh Government Assembly Members and Town & Community Councils to ensure maximum co-operation	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 7	Assess and monitor the impact of the Partnership City Deal on the Authority	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 8	Develop and maintain an Information Asset Register	Assistant Chief Executive (Regeneration and Policy)	March 2017
AGS 2015/16 No. 9	Develop a new Risk & Business Continuity Strategy	Head of Audit, Risk and Procurement	December 2016
AGS 2015/16 No. 10	Review the WAO Grant Certification Report 2014/15 issued by WAO in May 2016 and implement any agreed actions	Interim Head of Financial Services	March 2017

## **5 FINANCIAL STATEMENTS**

The financial statements comprise of the following:

### **5.1 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 Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

### **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 the Movement in Reserves Statement.

### **5.3 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'.

### **5.4 CASH FLOW STATEMENT**

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

**5.1 MOVEMENT IN RESERVES STATEMENT**

	Council Fund Balance £'000	Earmarked Council Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	TOTAL USABLE RESERVES £'000	Unusable Reserves £'000	TOTAL AUTHORITY RESERVES £'000
<b>Balance at 31 March 2014</b>	<b>(8,675)</b>	<b>(77,683)</b>	<b>(15,110)</b>	<b>(19,347)</b>	<b>0</b>	<b>(1,325)</b>	<b>(122,140)</b>	<b>(847,075)</b>	<b>(969,215)</b>
<b>Movement in reserves during 2014/15</b>									
Surplus or (deficit) on the provision of services	28,723	0	8,028	0	0	0	36,751	0	36,751
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	35,572	35,572
<b>Total Comprehensive Income and Expenditure</b>	<b>28,723</b>	<b>0</b>	<b>8,028</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,751</b>	<b>35,572</b>	<b>72,323</b>
Adjustments between accounting basis and funding basis under regulations(Note 6.4)	(26,820)	0	(3,824)	(7,165)	0	50	(37,759)	37,759	0
<b>Net (Increase)/Decrease before Transfers to/from Earmarked Reserves</b>	<b>1,903</b>	<b>0</b>	<b>4,204</b>	<b>(7,165)</b>	<b>0</b>	<b>50</b>	<b>(1,008)</b>	<b>73,331</b>	<b>72,323</b>
Transfers to/(from) Earmarked Reserves(Note 6.22)	(1,728)	1,484	244	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>175</b>	<b>1,484</b>	<b>4,448</b>	<b>(7,165)</b>	<b>0</b>	<b>50</b>	<b>(1,008)</b>	<b>73,331</b>	<b>72,323</b>
<b>Balance at 31 March 2015</b>	<b>(8,500)</b>	<b>(76,199)</b>	<b>(10,662)</b>	<b>(26,512)</b>	<b>0</b>	<b>(1,275)</b>	<b>(123,148)</b>	<b>(773,744)</b>	<b>(896,892)</b>
<b>Movement in reserves during 2015/16</b>									
Surplus or (deficit) on the provision of services	13,501	0	208,916	0	0	0	222,417	0	222,417
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(45,205)	(45,205)
<b>Total Comprehensive Income and Expenditure</b>	<b>13,501</b>	<b>0</b>	<b>208,916</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>222,417</b>	<b>(45,205)</b>	<b>177,212</b>
Adjustments between accounting basis and funding basis under regulations(Note 6.4)	(7,349)	0	(207,414)	7,879	0	412	(206,472)	206,472	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>6,152</b>	<b>0</b>	<b>1,502</b>	<b>7,879</b>	<b>0</b>	<b>412</b>	<b>15,945</b>	<b>161,267</b>	<b>177,212</b>
Transfers to/(from) Earmarked Reserves(Note 6.22)	(6,431)	6,391	40	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>(279)</b>	<b>6,391</b>	<b>1,542</b>	<b>7,879</b>	<b>0</b>	<b>412</b>	<b>15,945</b>	<b>161,267</b>	<b>177,212</b>
<b>Balance at 31 March 2016</b>	<b>(8,779)</b>	<b>(69,808)</b>	<b>(9,120)</b>	<b>(18,633)</b>	<b>0</b>	<b>(863)</b>	<b>(107,203)</b>	<b>(612,477)</b>	<b>(719,680)</b>



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

2014-15 Total Gross Expenditure £'000 (Restated)	2014-15 Total Gross Income £'000 (Restated)	2014-15 Total Net Expenditure £'000 (Restated)		2015-16 Total Gross Expenditure £'000	2015-16 Total Gross Income £'000	2015-16 Total Net Expenditure £'000
<b>Expenditure on Services</b>						
19,467	(2,642)	16,825	Central Services to the Public	18,793	(1,999)	16,794
23,076	(7,391)	15,685	* Cultural and Related Services	20,530	(6,525)	14,005
			Environmental and Regulatory			
23,673	(5,895)	17,778	Services	24,977	(5,548)	19,429
20,225	(13,465)	6,760	Planning Services	17,846	(11,671)	6,175
258,823	(39,567)	219,256	Education and Children's Services	209,944	(39,601)	170,343
34,932	(13,207)	21,725	Highways and Transport Services	33,968	(13,700)	20,268
			Housing Services:			
65,069	(62,425)	2,644	Council Fund Housing	66,768	(64,379)	2,389
45,199	(35,590)	9,609	Housing Revenue Account	242,168	(36,889)	205,279
112,663	(38,087)	74,576	Adult Social Care	116,015	(35,911)	80,104
6,734	(333)	6,401	Corporate and Democratic Core	6,187	(203)	5,984
7,056	(3,752)	3,304	* Non Distributed Costs	6,777	(2,047)	4,730
<b>616,917</b>	<b>(222,354)</b>	<b>394,563</b>	<b>Cost of Services</b>	<b>763,973</b>	<b>(218,473)</b>	<b>545,500</b>
			Precepts and Levies:			
		152	Brecon Beacons National Park			147
		8,877	Mid & West Wales Fire Authority			9,067
		4,878	Community Councils			5,017
		14,722	Dyfed Powys Police Authority			14,080
		(7,010)	(Gains)/losses on the disposal of non-current assets			146
		<b>21,619</b>	<b>Other Operating Expenditure</b>			<b>28,457</b>
			(Surpluses)/Deficits on Trading Activities not included			
		(1,473)	* in Net Cost of Services	Note 6.5		(533)
		13,871	Interest Payable and Similar Charges			17,639
		8,350	Net interest on the net defined benefit liability (asset)			9,185
		(473)	Interest Receivable and Similar Income			(450)
			Income and expenditure in relation to investment properties			
		(157)	* and changes in their fair value	Note 6.10		1,149
		<b>20,118</b>	<b>Financing and Investment Income and Expenditure</b>			<b>26,990</b>
		(202,696)	Revenue Support Grant	Note 6.38		(199,071)
		(787)	General Government Grants	Note 6.38		(565)
		(92,674)	Council Tax	Note 6.6		(96,297)
		(58,163)	Net Proceeds of Non-Domestic Rates	Note 6.7		(53,410)
		(45,229)	Capital Grants and Contributions	Note 6.38		(29,187)
		<b>(399,549)</b>	<b>Taxation and Non-specific Grant Income</b>			<b>(378,530)</b>
		<b>36,751</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>222,417</b>
			(Surplus) or deficit on revaluation of Property, Plant			
		(44,416)	and Equipment assets			(16,733)
		79,988	Actuarial (gains)/losses on pension assets/liabilities			(28,472)
		<b>35,572</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(45,205)</b>
		<b>72,323</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>177,212</b>

\* 2014-15 figures have been restated – see note 6.5

**5.3 BALANCE SHEET**

31/03/15 £'000		<b>Notes</b>	£'000	31/03/16 £'000
1,395,252	Property, Plant & Equipment	6.8	1,302,194	
2,248	Heritage Assets	6.9	2,246	
26,374	Investment Property	6.10	22,927	
1,164	Long Term Investments	6.11	1,110	
5,784	Long Term Debtors	6.12	7,148	
<u>1,430,822</u>	<b>Long Term Assets</b>			<u>1,335,625</u>
27,048	Short Term Investments	6.13	8,038	
133	Assets Held for Sale	6.14	410	
1,066	Inventories	6.15	1,006	
53,369	Short Term Debtors	6.16	46,370	
11,267	Cash and Cash Equivalents	6.17	34,851	
<u>92,883</u>	<b>Current Assets</b>			<u>90,675</u>
(7,677)	Short Term Borrowing	6.18	(9,013)	
(62,632)	Short Term Creditors	6.19	(55,541)	
(2,447)	Provisions	6.20	(3,601)	
<u>(72,756)</u>	<b>Current Liabilities</b>			<u>(68,155)</u>
(3,214)	Provisions	6.20	(3,526)	
(274,692)	Long Term Borrowing	6.21	(370,425)	
<u>(276,151)</u>	Other Long Term Liabilities	6.44	(264,514)	
<u>(554,057)</u>	<b>Long Term Liabilities</b>			<u>(638,465)</u>
<u><b>896,892</b></u>	<b>Net Assets</b>			<u><b>719,680</b></u>
8,500	Council Fund		8,779	
10,662	Housing Revenue Account	7.2	9,120	
72,258	Earmarked Council Fund Reserves	6.22	66,131	
3,941	Held by Schools under LMS	6.22	3,677	
26,512	Capital Receipts Reserve	6.23	18,633	
1,275	Capital Grants Unapplied	6.24	863	
<u>123,148</u>	<b>Usable Reserves</b>			<u>107,203</u>
323,284	Revaluation Reserve	6.25	329,192	
731,974	Capital Adjustment Account	6.26	552,198	
(870)	Financial Instruments Adjustment Account	6.27	(986)	
348	Deferred Capital Receipts Reserve	6.28	342	
(276,151)	Pensions Reserve	6.29	(264,514)	
(4,841)	Accumulated Absences Account	6.30	(3,755)	
<u>773,744</u>	<b>Unusable Reserves</b>			<u>612,477</u>
<u><b>896,892</b></u>	<b>Total Reserves</b>			<u><b>719,680</b></u>

**5.4 CASH FLOW STATEMENT**

<b>2014-15</b>		<b>Note</b>	<b>2015-16</b>
<b>£'000</b>			<b>£'000</b>
120,893	Taxation		123,679
342,830	Grants		336,657
12,055	Rents		13,615
326	Interest received		330
69,274	Other receipts from operating activities		83,684
<b>545,378</b>	<b>Cash inflows generated from operating activities</b>		<b>557,965</b>
(216,838)	Cash paid to and on behalf of employees		(207,905)
(34,544)	Housing benefit paid out		(28,414)
(45,341)	NNDR payments to national pool		(47,250)
(19,600)	Precepts paid		(19,097)
(13,840)	Interest paid		(16,774)
(196,668)	Other payments for operating activities		(209,381)
<b>(526,831)</b>	<b>Cash outflows generated from operating activities</b>		<b>(528,821)</b>
<b>18,547</b>	<b>Net cash flows from operating activities</b>	6.48	<b>29,144</b>
(77,914)	Purchase of property, plant & equipment, investment property and intangible assets		(63,694)
(142,800)	Purchase of short term and long term investments		(152,700)
(20,897)	Other payments for investing activities		(99,945)
13,333	Proceeds from Sale of property, plant & equipment, investment property and intangible assets		2,295
115,816	Proceeds of short term and long term investments		171,762
58,946	Other receipts from investing activities		41,783
<b>(53,516)</b>	<b>Net cash flows from investing activities</b>		<b>(100,499)</b>
28,000	Cash receipts of short and long term borrowing		101,461
(7,800)	Repayments of short term and long term borrowing		(5,262)
747	Other payments for financing activities		(1,260)
<b>20,947</b>	<b>Net cash flows from financing activities</b>		<b>94,939</b>
<b>(14,022)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>23,584</b>
25,289	Cash and cash equivalents at the beginning of the reporting period		11,267
<b>11,267</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	6.17	<b>34,851</b>

## 6 NOTES TO THE ACCOUNTS

### 6.1 Statement of Accounting Policies

#### General

The Statement of Accounts summarises the transactions of Carmarthenshire County Council and of the Dyfed Pension Fund for the 2015-16 financial year and their position at the year ended 31 March 2016.

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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

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

#### 6.1.1 Accruals of Income and Expenditure

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

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

quarterly (e.g. electricity, gas) where the revenue accounts are charged with four payments. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

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

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

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

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

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

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

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

The historic timetable of assets revaluations is given below:

Social Care, Regeneration & Environment Assets	2011-12
Corporate Assets	2012-13
Chief Executives, Regeneration & Leisure	2013-14
Schools	2014-15
Housing Stock & Depreciated Replacement Costs valued assets	2015-16

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

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

#### **Impairment:**

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

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

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

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

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

Depreciation is not charged on Assets Held for Sale.

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

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

**Component Accounting**

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

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

**6.1.3 Investment Property**

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

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

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

**6.1.4 Heritage Assets**

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

**• Former Community Assets**

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

**• Infrastructure Artwork**

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

**• Museum Exhibits/Archive Records**

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



### 6.1.5 **Intangible Assets**

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

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

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

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

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

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

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

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

### 6.1.8 **Cash and Cash Equivalents**

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

### 6.1.9 **Government Grants and Contributions**

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

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

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

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

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

### 6.1.10 **Leasing**

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

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

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

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

**The Authority as Lessor – operating leases**

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

**6.1.11 Financial Liabilities**

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

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

**6.1.12 Financial Assets****Loans and Receivables**

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

Where the Authority has made loans at less than market rates (soft loans), any material loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over

the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the Council Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Cost of Services.

### 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 3.6% (based on the indicative rate of return on high quality corporate bond [AA Corporate Bond]).

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

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

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

Service cost comprising:

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

Remeasurements comprising:

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

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting

standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **Discretionary Benefits**

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

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

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

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

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

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

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

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



	<b>ERW</b>	
	<b>2015-2016</b>	
	<b>Total</b>	<b>CCC Share</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	262	54
Income	(322)	(67)
Surplus/Deficit for the year	<u>(60)</u>	<u>(13)</u>
Current Assets	488	101
Current Liabilities	(16)	(3)
Long Term Liabilities	(93)	(19)
Total assets less liabilities	<u>379</u>	<u>79</u>
Reserves	379	79
Total Financing	<u>379</u>	<u>79</u>

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

#### 6.1.20 **Contingent Liabilities**

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

#### 6.1.21 **VAT**

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

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

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

## 6.2 Critical Judgements in Applying Accounting Policies

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

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

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £4m plus interest invested in Kaupthing, Singer and Friedlander (KSF) at that time. By the end of 2015-2016 £3.35m plus interest had been repaid by the administrators. See note 6.46.

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 2016 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 £20.3m for 2015-16.</p> <p>However, the assumptions interact in complex ways. During 2015-16, the Authority's actuaries advised that net pensions liability had decreased by £61.5m attributable to the updating of adjustments.</p>

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

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

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015-16	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(26,591)	(11,173)	0	0	0	37,764
Revaluation losses on Property Plant and Equipment	(5,019)	(134,490)	0	0	0	139,509
Movements in the market value of Investment Properties	(1,485)	0	0	0	0	1,485
Capital grants and contributions applied	22,430	291	0	0	0	(22,721)
Revenue expenditure funded from capital under statute	(4,105)	(78,991)	0	0	0	83,096
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,831)	(472)	0	0	0	2,303
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	10,217	2,684	0	0	0	(12,901)
Capital expenditure charged against the Council Fund and HRA balances	12,468	8,493	0	0	0	(20,961)

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

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015-16	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	6,166	0	(6,166)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,166	0	(6,166)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(83)	(33)	0	0	0	116
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 6.45)	(40,454)	(794)	0	0	0	41,248
Employer's pensions contributions and direct payments to pensioners payable in the year	23,960	453	0	0	0	(24,413)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,092	(6)	0	0	0	(1,086)
<b>Total Adjustments</b>	<b>(7,349)</b>	<b>(207,414)</b>	<b>7,879</b>	<b>0</b>	<b>412</b>	<b>206,472</b>

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2014-15	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(26,754)	(17,635)	0	0	0	44,389
Revaluation losses on Property Plant and Equipment	(51,071)	(4,315)	0	0	0	55,386
Movements in the market value of Investment Properties	(168)	0	0	0	0	168
Capital grants and contributions applied	38,056	643	0	0	0	(38,699)
Revenue expenditure funded from capital under statute	(2,932)	(56)	0	0	0	2,988
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,052)	(2,121)	0	0	0	6,173
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	10,167	2,592	0	0	0	(12,759)
Capital expenditure charged against the Council Fund and HRA balances	8,436	8,986	0	0	0	(17,422)

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2014-15	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	340	0	0	0	(340)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	390	(390)
<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	11,045	2,139	(13,184)	0	0	0
Statutory Capital Receipts	73	0	(127)	0	0	54
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,641	0	0	(4,641)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	56	0	0	(56)
Capital Receipts Set Aside	0	0	1,471	0	0	(1,471)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(22)	0	0	22

	Usable Reserves					
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2014-15	£'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	77	(40)	0	0	0	(37)
<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)	(33,297)	(666)	0	0	0	33,963
Employer's pensions contributions and direct payments to pensioners payable in the year	23,762	455	0	0	0	(24,217)
<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	(502)	4	0	0	0	498
<b>Total Adjustments</b>	<b>(26,820)</b>	<b>(3,824)</b>	<b>(7,165)</b>	<b>0</b>	<b>50</b>	<b>37,759</b>



**6.5 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:

2014-15 Total Gross Expenditure	2014-15 Total Gross Income	2014-15 Total Net (Income)/ Expenditure		2015-16 Total Gross Expenditure	2015-16 Total Gross Income	2015-16 Total Net (Income)/ Expenditure
£'000 (Restated)	£'000 (Restated)	£'000 (Restated)		£'000	£'000	£'000
			<b>Activities/Section</b>			
38,706	(40,037)	(1,331)	Property Services and			
			Hydrology	32,445	(33,088)	(643)
			Vehicle Repair &			
1,326	(1,655)	(329)	Maintenance	1,352	(1,675)	(323)
3,466	(3,287)	179	Building Cleaning	3,675	(3,373)	302
5,199	(5,181)	18	Fleet Management	5,227	(5,117)	110
1,062	(1,235)	(173)	Civil Design	1,315	(1,457)	(142)
692	(307)	385	Rural Estate	578	(296)	282
826	(601)	225	Provision Markets	831	(620)	211
1,074	(1,521)	(447)	Industrial Sites	1,295	(1,625)	(330)
<b>52,351</b>	<b>(53,824)</b>	<b>(1,473)</b>		<b>46,718</b>	<b>(47,251)</b>	<b>(533)</b>

**Restated Amounts**

A review of Trading Operations and Investment Properties has resulted in the reclassification of certain transactions and the restatement of some figures relating to 2014-15.

Commercial Properties (2014-15 Net Income £42k) and Livestock Markets (2014-15 Net Income £182k) previously included in Trading Operations have been reclassified as Investment Properties (see Note 6.10).

**CIES – Note 5.2**

The Net Surplus on Trading Activities for 2014-15 has been restated from (£1,696k) to (£1,473k). Culture and Related Services Gross Income has been restated from (£7,538k) to (£7,391k) and Net Expenditure from £15,538k to £15,685k. Gross Expenditure for Non Distributed Costs has been restated from £7,101 to £7,056 and Net Expenditure from £3,349 to £3,304k. Income and Expenditure in Relation to Investment Properties has been restated from £168k to (£157k).

**6.6 Council Tax**

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by dividing the amount of income required for Carmarthenshire County Council and the Dyfed-Powys Police Authority for the forthcoming year by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts - £70,376 for 2015-16 (£69,905 for 2014-15). The Council Tax payable by a household is calculated by multiplying the basic amount for a band D property (£1,076.22 for Carmarthenshire County Council) by the proportion specified for the particular band.

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

Band	A-	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band D Dwellings	15	4,763	15,953	13,651	12,157	13,839	8,037	3,164	506	96

Analysis of the net proceeds from Council Tax:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax Collectable	93,185	96,955
	<hr/>	<hr/>
	93,185	96,955
Less:		
Movement in Impairment Allowance	(511)	(658)
<b>Net Proceeds from Council Tax (including Precepts)</b>	<hr/> <b>92,674</b> <hr/>	<hr/> <b>96,297</b> <hr/>

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

NNDR is organised on a national basis. The government specifies an amount for the rate (48.2p for rateable values in 2015-16 and 47.3p for rateable values in 2014-15) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value (which had been re-valued with effect from the 1 April 2010) by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the National Assembly for Wales. The National Assembly for Wales redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income after relief and provisions of £46,962 for 2015-2016 was based on an average rateable value of £120,806,537 (£119,724,923 for 2014-2015). As at 31<sup>st</sup> March 2016 the total non domestic rateable value was £121,288,415 (£120,324,658 as at 31<sup>st</sup> March 2015).

Analysis of the net proceeds from Non-Domestic rates:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Non Domestic Rates Collectable	45,454	47,725
Less		
Amount Paid into NNDR Pool	(45,341)	(47,250)
Cost of Collection	(377)	(382)
Movement in Impairment Allowance	(107)	(196)
	<u>(371)</u>	<u>(103)</u>
Receipts from Pool	58,534	53,513
<b>Net Proceeds from NNDR</b>	<b><u>58,163</u></b>	<b><u>53,410</u></b>

**6.8 Property, Plant & Equipment**

Movements in 2015-16	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 01/04/15</b>	<b>562,449</b>	<b>639,100</b>	<b>17,547</b>	<b>270,648</b>	<b>3,583</b>	<b>19,673</b>	<b>65,723</b>	<b>1,578,723</b>
Additions	15,266	35,194	1,117	5,458	32	152	9,779	<b>66,998</b>
Revaluation Increases Recognised in the Revaluation Reserve	3,426	80,254	0	0	84	100	0	<b>83,864</b>
Revaluation Losses Recognised in the Revaluation Reserve	(26,852)	(39,920)	0	0	0	(359)	0	<b>(67,131)</b>
Revaluation Increases Recognised in the Provision of Services	1,908	5,251	0	0	0	0	0	<b>7,159</b>
Revaluation Losses Recognised in the Provision of Services	(136,398)	(7,864)	(1,508)	0	0	(896)	0	<b>(146,666)</b>
Derecognition of Disposals	(10)	0	(270)	0	0	0	0	<b>(280)</b>
Reclassifications: to & from Assets Held for Sale	(381)	(200)	0	0	(4)	(1,961)	0	<b>(2,546)</b>
Reclassifications: to & from Investment Properties	0	155	0	0	88	2,820	0	<b>3,063</b>
Reclassifications: from Assets Under Construction	477	53,016	0	284	(1)	2,561	(56,337)	<b>0</b>
Write back of Dep'n to the Gross Carrying Amount on Revaluation	(93,413)	(21,060)	(1,989)	0	0	(277)	0	<b>(116,739)</b>
<b>Gross Book Value 31/03/16</b>	<b>326,472</b>	<b>743,926</b>	<b>14,897</b>	<b>276,390</b>	<b>3,782</b>	<b>21,813</b>	<b>19,165</b>	<b>1,406,445</b>
<b>Accumulated Depreciation and Impairment at 01/04/15</b>	<b>(81,944)</b>	<b>(27,246)</b>	<b>(9,881)</b>	<b>(64,005)</b>	<b>(372)</b>	<b>(23)</b>	<b>0</b>	<b>(183,471)</b>
Depreciation Charge	(11,173)	(19,256)	(1,234)	(6,058)	(23)	(20)	0	<b>(37,764)</b>
Depreciation Written Out to Revaluation Reserve	93,413	21,060	1,989	0	0	277	0	<b>116,739</b>
Depreciation Written Out to Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Derecognition of Disposals	0	0	245	0	0	0	0	<b>245</b>
Reclassifications: to/ from AHFS	0	0	0	0	0	0	0	<b>0</b>
Other Movements in Depreciation and Impairments	0	250	0	0	0	(250)	0	<b>0</b>
<b>Cumulative Depreciation to 31/03/16</b>	<b>296</b>	<b>(25,192)</b>	<b>(8,881)</b>	<b>(70,063)</b>	<b>(395)</b>	<b>(16)</b>	<b>0</b>	<b>(104,251)</b>
<b>Net Book Value at 31/03/16</b>	<b>326,768</b>	<b>718,734</b>	<b>6,016</b>	<b>206,327</b>	<b>3,387</b>	<b>21,797</b>	<b>19,165</b>	<b>1,302,194</b>

Movements in 2014-15	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 01/04/14</b>	<b>542,781</b>	<b>680,040</b>	<b>18,230</b>	<b>264,699</b>	<b>2,830</b>	<b>20,942</b>	<b>51,063</b>	<b>1,580,585</b>
Additions	24,583	19,042	680	7,122	26	234	30,300	81,987
Revaluation Increases Recognised in the Revaluation Reserve	172	84,202	0	1	0	216	0	84,591
Revaluation Losses Recognised in the Revaluation Reserve	(483)	(39,130)	0	0	0	(562)	0	(40,175)
Revaluation Increases Recognised in the Provision of Services	46	1,115	0	0	0	154	0	1,315
Revaluation Losses Recognised in the Provision of Services	(4,360)	(51,088)	0	(565)	0	(688)	0	(56,701)
Derecognition of Disposals	0	0	(452)	0	0	(1,586)	0	(2,038)
Reclassifications: to & from Assets Held for Sale	(1,578)	(38)	0	0	0	(1,489)	0	(3,105)
Reclassifications: to & from Investment Properties	0	0	0	0	32	280	0	312
Reclassifications: from Assets Under Construction	1,677	11,269	16	(437)	695	2,420	(15,640)	0
Write back of Dep'n to the Gross Carrying Amount on Revaluation	(389)	(66,312)	(927)	(172)	0	(248)	0	(68,048)
<b>Gross Book Value 31/03/15</b>	<b>562,449</b>	<b>639,100</b>	<b>17,547</b>	<b>270,648</b>	<b>3,583</b>	<b>19,673</b>	<b>65,723</b>	<b>1,578,723</b>
<b>Accumulated Depreciation and Impairment at 01/04/14</b>	<b>(64,697)</b>	<b>(74,378)</b>	<b>(9,467)</b>	<b>(58,405)</b>	<b>(332)</b>	<b>(241)</b>	<b>0</b>	<b>(207,520)</b>
Depreciation Charge	(17,635)	(19,173)	(1,728)	(5,817)	(23)	(13)	0	(44,389)
Depreciation Written Out to Revaluation Reserve	388	66,312	927	172	0	248	0	68,047
Depreciation Written Out to Provision of Services	0	0	0	0	0	0	0	0
Derecognition of Disposals	0	0	387	0	0	3	0	390
Reclassifications: to/ from AHFS	0	0	0	0	0	1	0	1
Other Movements in Depreciation and Impairments	0	(7)	0	45	(17)	(21)	0	0
<b>Cumulative Depreciation to 31/03/15</b>	<b>(81,944)</b>	<b>(27,246)</b>	<b>(9,881)</b>	<b>(64,005)</b>	<b>(372)</b>	<b>(23)</b>	<b>0</b>	<b>(183,471)</b>
<b>Net Book Value at 31/03/15</b>	<b>480,505</b>	<b>611,854</b>	<b>7,666</b>	<b>206,643</b>	<b>3,211</b>	<b>19,650</b>	<b>65,723</b>	<b>1,395,252</b>

**Depreciation**

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

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

**Non Enhancing Expenditure**

As in 2014-15, non-enhancing expenditure has been included within the additions in the year and then written off as a revaluation loss. In preceding years this expenditure was written off directly to the CIES.

**Revaluations**

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

**Statement of Non-Current Assets Carried at Current Value 2015-16**

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

	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Vehicles Plant &amp; Equipment £'000</b>	<b>Surplus Assets £'000</b>	<b>TOTAL £'000</b>
Valued at fair value as at:					
31 March 2016	(235,977)	104,826	(2,650)	2,140	(131,661)
31 March 2015	19,668	(40,940)	(683)	(1,269)	(23,224)
31 March 2014	19,476	(19,640)	1,851	(2,612)	(925)
31 March 2013	20,711	18,174	(4,093)	432	35,224
31 March 2012	12,351	(13,051)	(5,373)	403	(5,670)
Previous Years	490,243	694,557	25,845	22,719	1,233,364
<b>Gross Book Value at 31/03/16</b>	<b>326,472</b>	<b>743,926</b>	<b>14,897</b>	<b>21,813</b>	<b>1,107,108</b>

**Capital Commitments**

As at 31 March 2016 the Council was contractually committed to capital works which amounted to approximately £16 million. Major contracts included the following schemes:

	<b>£'000</b>
<b><u>HOUSING</u></b>	
Public Sector Housing	810
<b><u>ENVIRONMENT</u></b>	
Trebeddrod Reservoir	297
Carmarthen West Link Road	3,907
Llanstephan Pumping Station and Outfall	39
<b><u>EDUCATION AND CHILDREN</u></b>	
<b>Modernising Education Programme</b>	
Dyffryn Amman	97
Maes Y Gwendraeth	308
Bro Dinefwr	358
Coedcae	1,350
Strade	151
Ffwrnes	203
Carreg Hirfaen	115
Burry Port	75
Gorslas (Demountable)	67
Brynamman (Demountable)	104
Llangennech Infants	167
Seaside	7,292
Bryngwyn (Llanelli Vocational Village)	517
<b><u>ECONOMIC DEVELOPMENT</u></b>	
Parry Thomas Centre - Pendine	96
<b><u>CORPORATE</u></b>	
Llanelli Market	391
Eastgate Street	153
	<b><u><u>16,497</u></u></b>

**6.9 Heritage Assets**

	Art Collections	Civic Regalia	Museum Exhibits	Public Sculptures	Ancient Monuments	Archives	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation Gross Carrying Amount 01/04/14</b>	<b>30</b>	<b>16</b>	<b>64</b>	<b>722</b>	<b>1,274</b>	<b>30</b>	<b>3</b>	<b>2,139</b>
Additions	0	0	7	39	63	0	0	109
Revaluation Losses	0	0	0	0	0	0	0	0
<b>Cost or Valuation Gross Carrying Amount 31/03/15</b>	<b>30</b>	<b>16</b>	<b>71</b>	<b>761</b>	<b>1,337</b>	<b>30</b>	<b>3</b>	<b>2,248</b>
Additions	0	0	0	0	0	0	0	0
Revaluation Losses	0	0	0	0	0	0	(2)	(2)
<b>Cost or Valuation Gross Carrying Amount 31/03/16</b>	<b>30</b>	<b>16</b>	<b>71</b>	<b>761</b>	<b>1,337</b>	<b>30</b>	<b>1</b>	<b>2,246</b>

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

	Art Collections	Civic Regalia	Museum Exhibits	Public Sculptures	Ancient Monuments	Archive	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2015-16	0	0	0	0	0	0	(2)	(2)
2014-15	0	0	7	39	63	0	0	109
2013-14	0	0	31	2	1	0	0	34
2012-13	0	0	(40)	0	0	30	0	(10)
2011-12	0	0	30	12	0	0	0	42
Previous Years	<b>30</b>	<b>16</b>	<b>43</b>	<b>708</b>	<b>1,273</b>	<b>0</b>	<b>3</b>	<b>2,073</b>
<b>Cost or Valuation Gross Carrying Amount 31/03/16</b>	<b>30</b>	<b>16</b>	<b>71</b>	<b>761</b>	<b>1,337</b>	<b>30</b>	<b>1</b>	<b>2,246</b>

**Heritage Assets: Archives collections**

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



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

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

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

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

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

Enclosure acts and awards 1810-1873

Turnpike Trust records relating to Carmarthenshire

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

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

Territorial Association: Carmarthen Territorial and Auxiliary Forces Association minutes.

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

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

**OFFICIAL RECORDS**

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

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

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

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

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

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

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

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

**DEPOSITED PRIVATE COLLECTIONS:**

Many of the following are still owned by the original depositor and are on indefinite loan to the archive service. A few notable items include the Vaughan of Golden Grove pedigree created in 1641, and regarded as one of the finest examples of its kind; the

Golden Grove Books – four volumes of Welsh family pedigrees compiled in c.1703, but relating to sources dating back to the eleventh century; Rebecca Riots letters.

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

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

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

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

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

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

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

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

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

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

#### **Parc Howard**

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

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

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

3,000 material culture objects in Parc Howard's collection, approximately 11% are on display at one time.

### **Fine Art Collection**

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

### **Ceramics Collection**

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

### **Carmarthenshire County Museum**

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

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

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

### **Archaeology Collection**

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

Significant items include: Middle Palaeolithic/late Neanderthal chert tools from Coygan Cave (50,000 ya) (international importance), Mesolithic shale figurines and pierced

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

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

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

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

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

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

### **Ethnography**

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

### **Fine Art**

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

### **Kidwelly Industrial Museum**

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

**6.10 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>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
	<b>(Restated)</b>	
Rental income from investment properties	(945)	(940)
Direct operating expenses arising from investment property	177	185
Net gain/(loss)	<b>(768)</b>	<b>(755)</b>
Indirect Expenditure	443	419
Net Gains/(Losses) from Fair Value Adjustments	168	1,485
Income and Expenditure in relation to Investment Properties and Changes in their Fair Value	<b>(157)</b>	<b>1,149</b>

A review of Trading Operations and Investment Properties has resulted in the reclassification of certain transactions and the restatement of some figures relating to 2014-15 (see note 6.5).

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

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>	26,385	26,374
Additions:		
Enhancements	1,269	1,101
Disposals	(800)	0
Net Gains/(Losses) from fair value adjustments	(168)	(1,485)
Transfer:		
(To)/From Property, Plant and Equipment	(312)	(3,063)
	<b>26,374</b>	<b>22,927</b>

**6.11 Long Term Investments**

	31 March 2015 £'000	31 March 2016 £'000
2.5% Consols	1	0
Cwm Environmental Ltd.	329	329
Banks and 100% Wholly Owned Subsidiaries	834	781
	<u>1,164</u>	<u>1,110</u>

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 2016:

	£'000
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 2015, 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 2015 and net assets as at that date for CWM Environmental Ltd:

	Year ended 31 December 2015
	£'000
Turnover	12,989
Less: Cost of Sales	(10,238)
<b>Gross Profit</b>	<b>2,751</b>
Overheads	(3,010)
<b>Net Profit before taxation</b>	<b>(259)</b>
Taxation on (loss) / profit	83
<b>Retained Profit/(Loss)</b>	<b>(176)</b>
Net Assets as at 31 December 2015	<b>5,842</b>

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

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

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

#### 6.12 Long Term Debtors

	31 March 2015	31 March 2016
	£'000	£'000
Mortgages raised on Council House Sales	16	9
Houses into Homes Longer than One Year	0	119
Charges against estates of persons in residential homes (Carmarthenshire County Council)	620	523
Charges against estates of persons in residential homes (External Providers)	704	1,032
Capital Contribution to the loans of 1st time homebuyers	1,289	1,232
Dwr Cymru Welsh Water	50	15
Car Loans	171	125
Loan National Botanic Garden of Wales	0	1,190
Loan Scarlets	2,616	2,616
Loan Towy Community Church	239	223
Other	79	64
	<b>5,784</b>	<b>7,148</b>

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

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

The County Council, as part of the Development Agreement entered into with Llanelli Rugby Football Club Limited (the club), advanced a sum of £2.4m for a term of 15 years to the club. The County Council has obtained indemnities from three of the original funding directors of the club which guarantee the interest obligations due under the terms of the loan for the first five years. In October 2010, the County Council agreed to a variation in the terms of the loan whereby interest payments of £216,000 were deferred to the end of the loan period in 2023. In October 2013, the Executive Board agreed to a variation in the terms of the loan whereby the interest charged will be reduced from the fixed rate of 7% to a variable rate of 3.5% plus the base interest rate (currently 0.5%) 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 0.5%) was entered into with the Towy Community Church in December 2012 to assist in the implementation of the Xcel project.

### 6.13 Short Term Investments

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

	31 March 2015 £'000	31 March 2016 £'000
Banks and 100% Wholly Owned Subsidiaries	7,028	8,038
Local Authorities	20,020	0
	<b>27,048</b>	<b>8,038</b>



**6.14 Assets Held for Sale**

	<b>Current Assets</b>	
	<b>2014-15 £'000</b>	<b>2015-16 £'000</b>
<b>Balance at start of year</b>	752	133
<b>Assets newly classified as held for sale:</b>		
- Property, Plant and Equipment	3,104	2,546
Assets sold	(3,723)	(2,269)
<b>Balance at year end</b>	<b>133</b>	<b>410</b>

**6.15 Inventories**

	<b>Education &amp; Children</b>				<b>Total £'000</b>
	<b>Environment £'000</b>	<b>Services £'000</b>	<b>Leisure £'000</b>	<b>Other £'000</b>	
<b>2014-15</b>					
<b>Balance as at 31 March 2014</b>	782	100	160	18	1,060
Purchases	2,245	1,917	189	9	4,360
Recognised as an expense in the year	(2,222)	(1,921)	(194)	(10)	(4,347)
Written off balances	0	(2)	0	0	(2)
Other net movements in year	(4)	0	0	(1)	(5)
<b>Balance as at 31 March 2015</b>	<b>801</b>	<b>94</b>	<b>155</b>	<b>16</b>	<b>1,066</b>
<b>2015-16</b>					
Purchases	1,712	1,955	149	0	3,816
Recognised as an expense in the year	(1,715)	(1,966)	(186)	0	(3,867)
Written off balances	(1)	0	0	0	(1)
Other net movements in year	(2)	0	0	(6)	(8)
<b>Balance as at 31 March 2016</b>	<b>795</b>	<b>83</b>	<b>118</b>	<b>10</b>	<b>1,006</b>

Amounts in respect of 2014-15 have been reclassified to reflect departmental reorganisation.

**6.16 Short Term Debtors**

	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
HM Revenue & Customs	4,918	1,691
Central Government	24,164	20,566
Police, Fire, National Park and Local Authorities	4,875	4,162
NHS Bodies	2,622	2,802
Council Tax Payers	3,871	4,410
Housing Tenants	1,504	1,357
Employee Related	147	141
Other	11,268	11,241
	<b>53,369</b>	<b>46,370</b>

**6.17 Cash and Cash Equivalents**

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

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
831	Cash held by the Authority	764
(2,588)	Bank current accounts	(2,921)
	Short-term deposits with banks and money	
8,021	market funds	27,008
5,003	Short-term deposits with Local Authorities	10,000
<b>11,267</b>	<b>Total Cash and Cash Equivalents</b>	<b>34,851</b>

**6.18 Short Term Borrowing**

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

	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
Public Works Loan Board	7,366	8,700
Market Loan	64	63
Salix	247	250
	<b><u>7,677</u></b>	<b><u>9,013</u></b>

**6.19 Short Term Creditors**

	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
HM Revenue & Customs	(3,849)	(3,700)
Central Government	(4,860)	(2,513)
Police, Fire, National Park and Local Authorities	(5,898)	(4,589)
NHS Bodies	(827)	(340)
Housing Tenants	(384)	(386)
Council Tax Payers	(2,679)	(2,550)
Employee Related	(7,389)	(6,486)
Other	(36,746)	(34,977)
	<b><u>(62,632)</u></b>	<b><u>(55,541)</u></b>

**6.20 Provisions**

The summary below shows the movement in the level of provisions during 2015-16:

	<b>1 April</b>				<b>31 March</b>
	<b>2015</b>	<b>Reversal</b>	<b>Addition</b>	<b>Utilisation</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporate Services Department	723	(408)	40	0	355
Environment Department	115	0	0	(101)	14
Education & Children's Services	95	(25)	0	(70)	0
Chief Executive Department	616	(31)	391	(535)	441
Communities Department	1,226	(985)	1,428	(28)	1,641
Single Status	436	0	0	0	436
Losses on Investments	855	(53)	0	0	802
Municipal Mutual Insurance (MMI)	284	0	123	(265)	142
Landfill Site - Aftercare Provision	1,311	0	0	(163)	1,148
Insurance	0	0	2,148	0	2,148
	<b>5,661</b>	<b>(1,502)</b>	<b>4,130</b>	<b>(1,162)</b>	<b>7,127</b>

	<b>Current</b>	<b>Long</b>	
	<b>Liabilities</b>	<b>Term</b>	
	<b>(&lt; 1 year)</b>	<b>(&gt; 1 year)</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balances as at 31 March 2016</b>			
Corporate Services Department	355	0	355
Environment Department	0	14	14
Chief Executives Department	441	0	441
Communities Department	238	1,403	1,641
Single Status	218	218	436
Losses on Investments	21	781	802
Municipal Mutual Insurance (MMI)	31	111	142
Landfill Site - Aftercare Provision	149	999	1,148
Insurance	2,148	0	2,148
	<b>3,601</b>	<b>3,526</b>	<b>7,127</b>

Amounts in respect of 2014-15 have been reclassified to reflect departmental reorganisation.

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

Provision of £180k is made in respect of potential bad debts on rental income from properties, £135k for remedial works on vacated buildings, plus provision for overtime for the closure of the accounts.

**Environment Department**

Provision is made for remedial works due to subsidence in car parks.

**Chief Executive Department**

Provision of 40k is made for potential legal challenge on the right to charge for personal search fees and £401k for the Carbon Reduction Commitment allowances in respect of the emissions generated in 2015-16.

**Communities Department**

Provision of £728k is made for the potential write off of residents contribution debt, £488k for potential payments on homecare balances and £171k for a potential shortfall in Health Board income.

**Single Status**

During 2011-12, the authority implemented single status, and settled the majority of Equal pay claims received. In 2013-14 the 'Red Book' staff were transferred to Single Status terms and conditions. The provision reflects outstanding costs of completing the exercise and meeting the working time directive.

**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 6.46.

**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**

Funds were previously set aside in an Insurance Reserve (see Note 6.22) to meet the cost of claims and other losses that could fall on the Authority (see Note 6.37). Potential claims included those that had been registered (ie were known about) and those that are not known as at the end of the financial year. The cost of registered claims should properly be treated as a provision so an amount was transferred from the reserve to this provision (via an appropriation from the reserve and a charge to services).

**6.21 Long Term Borrowing**

Total Outstanding as at	31st March	31st March	Maturity Dates
	2015 £'000	2016 £'000	
<b>Sources of Borrowing</b>			
Public Works Loan Board	270,623	364,115	2016-2063
Market Loans (Note i)	3,117	3,116	2016-2055
Interest Free Loans (Note ii)	952	3,194	2016-2031
	<b>274,692</b>	<b>370,425</b>	

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

(ii)

Interest Free Loans Total Outstanding as at	31st March	31st March
	2015 £'000	2016 £'000
SALIX	515	284
Invest-2-Save	0	918
Home Improvement Loans Scheme	437	1,292
Town Centre Loans	0	700
	<b>952</b>	<b>3,194</b>

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

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

**6.22 Earmarked Reserves**

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

	1 April 2014 £'000	Transfers In £'000	Transfers Out £'000	31 March 2015 £'000	Transfers In £'000	Transfers Out £'000	31 March 2016 £'000
Insurance	10,458	1,983	(2,815)	9,626	1,949	(3,689)	7,886
Capital Investment Fund	176	0	(90)	86	0	0	86
Development Fund	1,013	166	(280)	899	302	(6)	1,195
Outcome Agreement Fund	4,866	0	(1,620)	3,246	0	(1,909)	1,337
Local Authority Business Growth							
Incentive Grant	446	0	(213)	233	38	(43)	228
Major Development Fund	18,137	1,732	(146)	19,723	13,915	(1,720)	31,918
Schools Organisation Fund	1,074	0	(464)	610	0	(610)	0
Financial Management System	273	0	0	273	0	(200)	73
Corporate Retirement Fund	2,554	3,000	(1,395)	4,159	0	(1,016)	3,143
Human Resources System	534	0	(481)	53	0	(23)	30
Derelict Land	127	0	(8)	119	0	0	119
Youth Support Services Scheme	21	0	0	21	0	0	21
Parc Dewi Sant /St David's Park	850	107	0	957	107	(618)	446
Joint Ventures	1,416	179	(3)	1,592	199	(276)	1,515
Redundancy	919	294	(183)	1,030	94	(236)	888
Fleet Management	3,132	876	(9)	3,999	168	(3,855)	312
Regeneration - Externally							
Funded Schemes	1,368	436	(425)	1,379	712	(290)	1,801
Council Tax/Housing Benefit	955	676	0	1,631	0	0	1,631
MEP Capital Funding	8,547	3,430	(3,507)	8,470	3,689	(9,995)	2,164
IT Infrastructure	1,854	555	(499)	1,910	3	(820)	1,093
Salix Fund	523	190	(324)	389	208	(346)	251
Support Carmarthenshire Business	143	0	0	143	0	0	143
Llanelly House	135	0	(45)	90	0	(30)	60
National Botanic Garden	0	200	0	200	0	(70)	130
Employee Development	308	251	(121)	438	0	(54)	384
Ty Elwyn Refurbishment	424	0	(424)	0	0	0	0
Local Authority Mortgage Scheme	200	0	0	200	0	(200)	0
Job Evaluation	6,563	277	(3,378)	3,462	0	(2,060)	1,402
Highways Capital Charges	368	380	0	748	50	0	798
Community Asset Transfer Fund	253	0	0	253	0	(14)	239
Housing Services Schemes	0	0	0	0	782	(117)	665
Departmental Reserves	5,775	1,021	(553)	6,243	2,704	(2,877)	6,070
Other	86	16	(26)	76	87	(60)	103
	<b>73,498</b>			<b>72,258</b>			<b>66,131</b>

	1 April 2014 £'000	Transfers In	Transfers Out	31 March 2015 £'000	Transfers In	Transfers Out	31 March 2016 £'000
<b>Held by Schools under LMS</b>	<u>4,185</u>	1,321	(1,565)	<u>3,941</u>	1,708	(1,972)	<u>3,677</u>
	<u><b>4,185</b></u>			<u><b>3,941</b></u>			<u><b>3,677</b></u>
<b>HRA:</b>							
Major Repairs	<u>0</u>	6,190	(6,190)	<u>0</u>	6,166	(6,166)	<u>0</u>
Total	<u><b>0</b></u>			<u><b>0</b></u>			<u><b>0</b></u>

### Insurance

Funds have been set aside to meet the cost of claims and other losses that could fall on the Authority (see note 6.37). This reserve previously included amounts in respect of known claims that had yet to be settled by the Authority. In 2015-16, it was decided that these claims should be recognised as a provision so an amount of £2,148k was transferred to an insurance provision set up for this purpose (see note 6.20).

### Capital Investment Fund

The fund was set up with aim of providing a means of supporting the Authority's Capital Programme. The remaining balance will be used in 2016-17.

### Development Fund

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

### Outcome Agreement Fund

This is the balance of the Outcome Agreement Grant received from the Welsh Government based upon the Policy Agreement and is earmarked to support the Three Year Capital Programme.

### Local Authority Business Growth Incentive Grant

This is the balance of the Local Authority Business Growth Incentive grant received for both the 2006-07 and the 2007-08 financial years which had been used to support the development of 'Y Ffwrnes'. The utilisation of the remaining balance will be reviewed during 2016-17.

### Major Development Fund

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

### Financial Management System

Set up to meet the funding of the significant investment in the provision and development of the new Financial Management System. The balance will be utilised in 2016-17.

### 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.



**Human Resources System**

Set up to meet the funding of the significant investment in the provision of the Payroll/Human Resources System.

**Derelict Land**

This fund was set up to allow the Authority to react quickly when areas of derelict land are identified and there is opportunity for the Authority to deal with the problem areas. The use of this reserve is expected to generate replacement funds to enable further projects to be undertaken.

**Youth Support Services Scheme**

This will be used for match funding to extend Youth Support Services.

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

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

**Joint Ventures**

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

**Redundancy**

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

**Fleet Management**

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

**Regeneration - Externally Funded Schemes**

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

**Council Tax/Housing Benefits**

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

**MEP Capital Funding**

Sum set aside to meet the cost of prudential borrowing to finance the Modernising Education Provision programme. This will now be utilised during 2016-17.

**IT Infrastructure**

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

**Salix Fund**

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

These loans are repaid from the resultant savings and the fund is replenished for other schools/ departments to benefit from the scheme.

**Support Carmarthenshire Business**

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

**Llanelly House**

To meet the agreed funding support over a 5-year period to the Llanelly House project, in order to assist with the start up and sustainability of this new facility which is seen as being integral to the long term regeneration plans for the town centre

**National Botanic Garden**

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

**Employee Development Fund**

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

**Job Evaluation**

The Authority has implemented the outcome of the Job Evaluation exercise and has set up this reserve to assist with the cost of implementation.

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

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

**Community Assets Transfer Fund**

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

**Housing Services Schemes**

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

**Departmental Reserves**

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

**6.23 Capital Receipts Reserve**

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	19,347	26,512
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	13,184	2,157
Statutory Capital Receipts	127	131
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	22	6
	<u>32,680</u>	<u>28,806</u>
Capital Receipts Set Aside	(1,471)	(123)
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,641)	(10,027)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(56)	(23)
<b>Closing Balance</b>	<u><u>26,512</u></u>	<u><u>18,633</u></u>

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.

**6.24 Capital Grants Unapplied**

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	1,325	1,275
Additions	340	300
	<u>1,665</u>	<u>1,575</u>
Grants and Contributions applied	(390)	(712)
<b>Closing Balance</b>	<u><u>1,275</u></u>	<u><u>863</u></u>

**6.25 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>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>290,994</b>	<b>Balance at 1 April</b>	<b>323,284</b>
84,591	Upward revaluation of assets	83,864
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the	
<u>(40,175)</u>	Provision of Services	<u>(67,131)</u>
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	
44,416		16,733
	Difference between fair value depreciation and historical cost depreciation	
(11,313)		(9,949)
<u>(813)</u>	Accumulated gains on assets sold or scrapped	<u>(876)</u>
(12,126)	Amount written off to the Capital Adjustment Account	(10,825)
<b><u>323,284</u></b>	<b>Balance at 31 March</b>	<b><u>329,192</u></b>

**6.26 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.

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>747,378</b>	<b>Balance at 1 April</b>	<b>731,974</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(33,076)	Charges for depreciation and impairment of non-current assets	(27,815)
(55,386)	Revaluation losses on Property, Plant and Equipment	(139,509)
(2,988)	Revenue expenditure funded from capital under statute	(83,096)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
<u>(6,173)</u>		<u>(2,303)</u>
649,755		479,251
<u>813</u>	Adjusting amounts written out of the Revaluation Reserve	<u>876</u>
650,568	Net written out amount of the cost of non-current assets consumed in the year	480,127
1,471	Capital Receipts Set Aside	123
(54)	Additional in Year Movements	(78)
4,641	Use of the Capital Receipts Reserve to finance new capital expenditure	10,027
56	Use of Capital Receipts to finance Cost of Sales	23
6,190	Use of the Major Repairs Reserve to finance new capital expenditure	6,166
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
38,699	Application of grants to capital financing from the Capital Grants	22,721
390	Unapplied Account	712
	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	
12,759	Capital expenditure charged against the General Fund and HRA balances	12,901
<u>17,422</u>		<u>20,961</u>
732,142		553,683
	Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	
(168)		(1,485)
<u><u>731,974</u></u>	<b>Balance at 31 March</b>	<u><u>552,198</u></u>

**6.27 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 2016 will be charged to the Council Fund over the next 7 years.

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>(907)</b>	<b>Balance at 1 April</b>	<b>(870)</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	
37		(116)
<b><u>(870)</u></b>	<b>Balance at 31 March</b>	<b><u>(986)</u></b>

**6.28 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>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>370</b>	<b>Balance at 1 April</b>	<b>348</b>
	Transfer to the Capital Receipts Reserve upon receipt of cash	
(22)		(6)
<b><u>348</u></b>	<b>Balance at 31 March</b>	<b><u>342</u></b>

**6.29 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.

2014-15 £'000		2015-16 £'000
<b>(186,417)</b>	<b>Balance at 1 April</b>	<b>(276,151)</b>
(79,988)	Remeasurements of the net defined benefit liability/(asset)	28,472
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	
(33,963)	in the Comprehensive Income and Expenditure Statement	(41,248)
	Employer's pensions contributions and direct payments to pensioners payable in the year	
24,217		24,413
<b><u>(276,151)</u></b>	<b>Balance at 31 March</b>	<b><u>(264,514)</u></b>

**6.30 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.

2014-15 £'000		2015-16 £'000
<b>(4,343)</b>	<b>Balance at 1 April</b>	<b>(4,841)</b>
	Settlement or cancellation of accrual made at the end of the preceding year	
4,343		4,841
<u>(4,841)</u>	Amounts accrued at the end of the current year	<u>(3,755)</u>
	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	
(498)		1,086
<b><u>(4,841)</u></b>	<b>Balance at 31 March</b>	<b><u>(3,755)</u></b>

**6.31 Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by *the* Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive Board on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. The income and expenditure of the Authority's principal departments recorded in the budget reports for the year is as follows:

Departmental Income and Expenditure 2015-16	Chief Executive £'000	Education and Children's Services £'000	Corporate Services £'000	Communities £'000	Environment £'000	Housing Revenue Account £'000	TOTAL £'000
Employee expenses	13,022	141,934	16,129	43,487	31,337	3,513	249,422
Other service expenses	14,956	36,395	72,749	96,820	30,282	91,722	342,924
Support service recharges	6,373	4,810	8,196	5,418	4,921	1,270	30,988
Depreciation & similar charges	125	15,953	2,708	4,418	8,406	145,663	177,273
<b>Total Expenditure</b>	<b>34,476</b>	<b>199,092</b>	<b>99,782</b>	<b>150,143</b>	<b>74,946</b>	<b>242,168</b>	<b>800,607</b>
Fees, charges and other service income	(14,384)	(11,613)	(26,474)	(35,152)	(19,331)	(36,754)	(143,708)
Government grants	(8,265)	(26,769)	(51,143)	(20,997)	(7,552)	(135)	(114,861)
<b>Total Income</b>	<b>(22,649)</b>	<b>(38,382)</b>	<b>(77,617)</b>	<b>(56,149)</b>	<b>(26,883)</b>	<b>(36,889)</b>	<b>(258,569)</b>
<b>Net Expenditure</b>	<b>11,827</b>	<b>160,710</b>	<b>22,165</b>	<b>93,994</b>	<b>48,063</b>	<b>205,279</b>	<b>542,038</b>



Departmental Income and Expenditure 2014-15	Chief Executive £'000	Education and Children's Services £'000	Corporate Services £'000	Communities £'000	Environment £'000	Housing Revenue Account £'000	TOTAL £'000 (Restated)
Employee expenses	14,665	140,872	15,437	43,188	30,989	3,539	248,690
Other service expenses	17,748	37,740	73,115	96,879	32,835	18,406	276,723
Support service recharges	6,572	5,089	8,109	5,508	5,008	1,304	31,590
Depreciation & similar charges	259	64,511	1,969	4,150	6,935	21,950	99,774
<b>Total Expenditure</b>	<b>39,244</b>	<b>248,212</b>	<b>98,630</b>	<b>149,725</b>	<b>75,767</b>	<b>45,199</b>	<b>656,777</b>
Fees, charges and other service income	(17,221)	(11,649)	(26,982)	(35,085)	(20,788)	(35,370)	(147,095)
Government grants	(9,289)	(26,743)	(50,530)	(23,363)	(7,944)	(220)	(118,089)
<b>Total Income</b>	<b>(26,510)</b>	<b>(38,392)</b>	<b>(77,512)</b>	<b>(58,448)</b>	<b>(28,732)</b>	<b>(35,590)</b>	<b>(265,184)</b>
<b>Net Expenditure</b>	<b>12,734</b>	<b>209,820</b>	<b>21,118</b>	<b>91,277</b>	<b>47,035</b>	<b>9,609</b>	<b>391,593</b>

Amounts in respect of 2014-15 have been reclassified to reflect departmental reorganisation. Services previously included in the Regeneration and Leisure Department have been reallocated to the Chief Executive, Communities and Environment Departments.

Amounts have also been restated to reflect the changes referred to in Note 5.2.

Two departments have been renamed - Corporate Services was formerly Resources and Communities was formerly Social Care & Housing.

### Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014-15 £'000 (Restated)	2015-16 £'000
Net expenditure in the Departmental Analysis	391,593	542,038
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis:		
Corporate Insurance Liability Claims Income & Expenditure	1,172	2,593
Amounts in the Analysis not included in Cost of Services in the Comprehensive Income and Expenditure Statement:		
Surpluses/(Deficits) on Trading Activities	1,473	533
Income & Expenditure Relating to Investment Properties	325	336
	<hr/>	<hr/>
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b><u><u>394,563</u></u></b>	<b><u><u>545,500</u></u></b>

**Reconciliation to Subjective Analysis**

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

2015-16	Departmental Analysis £'000	Other amounts included in the CIES £'000	Amounts not reported to management for decision making £'000	TOTAL £'000
Employee expenses	249,423	0	2,571	251,994
Other service expenses	342,924	0	125	343,049
Support service recharges	30,988	0	0	30,988
Depreciation & similar charges	177,273	0	0	177,273
Interest Payable & Similar Charges	0	17,639	0	17,639
Investment Losses / (Gain)	0	0	0	0
Pensions interest cost & expected return on Pensions Assets	0	9,185	0	9,185
Precepts & Levies	0	28,311	0	28,311
(Gain) or Loss on disposal of Non Current Assets	0	146	0	146
Changes in the fair value of investment properties	0	1,485	0	1,485
<b>Total Expenditure</b>	<b>800,608</b>	<b>56,766</b>	<b>2,696</b>	<b>860,070</b>
Fees, charges and other service income	(143,709)	0	(103)	(143,812)
Interest and Investment Income	0	(450)	0	(450)
Government grants and contributions	(114,861)	0	0	(114,861)
Taxation & Non Specific Grant Income	0	(378,530)	0	(378,530)
<b>Total Income</b>	<b>(258,570)</b>	<b>(378,980)</b>	<b>(103)</b>	<b>(637,653)</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>542,038</b>	<b>(322,214)</b>	<b>2,593</b>	<b>222,417</b>

<b>2014-15</b>	<b>Departmental Analysis £'000</b>	<b>Other amounts included in the CIES £'000</b>	<b>Amounts not reported to management for decision making £'000</b>	<b>TOTAL £'000</b>
Employee expenses	248,689	0	1,172	249,861
Other service expenses	276,723	0	0	276,723
Support service recharges	31,590	0	0	31,590
Depreciation & similar charges	99,775	0	0	99,775
Interest Payable & Similar Charges	0	13,871	0	13,871
Investment Losses / (Gain)	0	0	0	0
Pensions interest cost & expected return on Pensions Assets	0	8,350	0	8,350
Precepts & Levies	0	28,629	0	28,629
(Gain) or Loss on disposal of Non Current Assets	0	(7,010)	0	(7,010)
Changes in the fair value of investment properties	0	168	0	168
<b>Total Expenditure</b>	<b>656,777</b>	<b>44,008</b>	<b>1,172</b>	<b>701,957</b>
Fees, charges and other service income	(147,096)	0	0	(147,096)
Interest and Investment Income	0	(473)	0	(473)
Government grants and contributions	(118,088)	0	0	(118,088)
Taxation & Non Specific Grant Income	0	(399,549)	0	(399,549)
<b>Total Income</b>	<b>(265,184)</b>	<b>(400,022)</b>	<b>0</b>	<b>(665,206)</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>391,593</b>	<b>(356,014)</b>	<b>1,172</b>	<b>36,751</b>

**6.32 Pooled Budgets**

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

	2014-15		2015-16	
	£'000	£'000	£'000	£'000
Funding provided to the pooled budget:				
the Authority	155		128	
the Local Health Board	<u>382</u>		<u>382</u>	
		537		510
Expenditure met from the pooled budget:		(564)		(515)
Net surplus arising on the pooled budget during the year		<u>(27)</u>		<u>(5)</u>
Authority share of the net surplus arising on the pooled budget		<u>(14)</u>		<u>(3)</u>

**6.33 Members Allowances**

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

	2014-15	2015-16
	£	£
Allowances	1,238,307	1,244,592
Expenses	46,262	47,686
<b>Total</b>	<b><u>1,284,569</u></b>	<b><u>1,292,278</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.

**6.34 Employee Emoluments**

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

Remuneration Band	No. of Employees 2014-15	No. of Employees 2015-16	Left During 2015-16
60,000 to 64,999	22	27	2
65,000 to 69,999	16	16	3
70,000 to 74,999	10	8	1
75,000 to 79,999	8	6	4
80,000 to 84,999	2	4	0
85,000 to 89,999	13	10	2
90,000 to 94,999	2	2	0
95,000 to 99,999	3	4	1
100,000 to 104,999	2	2	0
105,000 to 109,999	3	2	0
110,000 to 114,999	1	0	0
<b>Total No. of Employees :</b>	<b>82</b>	<b>81</b>	<b>13</b>

Remuneration value includes redundancy/termination payments.

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

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

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

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

Post		Salary (including fees & allowances)	Pension contributions	Expense Allowances
Mr M V James Chief Executive & Returning Officer	14/15	168,938	0	201
	15/16	169,025	0	222

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

Post		Salary (including fees & allowances)	Pension contributions	Expense Allowances
Director of Regeneration & Leisure (i)	14/15	106,295	0	0
	15/16	5,488	0	0
Director of Environment (ii)	14/15	72,474	0	983
	14/15	26,612	3,506	0
	15/16	27,780	3,621	0
	15/16	56,133	7,241	0
	15/16	86,558	5,713	0
Director of Communities (iii)	14/15	48,316	0	0
	14/15	46,638	6,088	0
	15/16	120,790	15,582	0
Director of Corporate Services (iv)	14/15	55,027	7,183	0
	15/16	64,865	8,368	0
Head of Financial Services (iv)	14/15	58,801	7,676	0
	15/16	43,177	5,570	0
Director of Education & Children's Services	14/15	120,790	15,769	0
	15/16	120,790	15,582	0
Head of Education Services	14/15	97,088	12,674	0
	15/16	97,860	12,618	0

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

- (i) The post of Director of Regeneration & Leisure was deleted in April 2015. Prior to this date, the Director worked 4 days per week.
- (ii) The role of Director of Environment (formerly Technical Services) was undertaken by two individuals during 2014/15 due to retirement and by three individuals during 2015/16 due to resignation and interim arrangements.
- (iii) The Director of Communities (formerly Social Care & Housing) retired in September 2014 with a new Director being appointed in November 2014.
- (iv) The Director of Corporate Services (formerly Resources) retired in September 2014. The Head of Financial Services was subsequently appointed section 151 officer until September 2015 when the postholder was appointed to the post of Director.

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

	<b>2014/15</b>	<b>2015/16</b>
Chief Executive's pay	8.21	8.07
Median pay	1	1

### 6.35 Exit Packages

During 2015-16 the Authority incurred significant expenditure in terms of redundancy costs paid to leavers together with costs incurred in compensation payments to the Local Government Pension Fund in respect of early access pension costs. During this period the authority operated a voluntary severance scheme to support the delivery of its required efficiencies.

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

The above costs are detailed in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total Number of Exit Packages by cost band		Total Cost of Exit Packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £	2015/16 £
£0 - £20,000	90	52	50	60	140	112	<b>965,758</b>	<b>804,773</b>
£20,000 - £40,000	5	4	39	35	44	39	<b>1,274,876</b>	<b>1,057,547</b>
£40,000 - £60,000	2	0	10	8	12	8	<b>606,300</b>	<b>380,596</b>
£60,000 - £80,000	0	0	5	5	5	5	<b>360,833</b>	<b>357,427</b>
£80,000 - £100,000	0	1	6	6	6	7	<b>554,835</b>	<b>650,502</b>
£100,000 - £150,000	1	0	0	0	1	0	<b>125,960</b>	<b>0</b>
<b>TOTAL</b>	<b>98</b>	<b>57</b>	<b>110</b>	<b>114</b>	<b>208</b>	<b>171</b>	<b>3,888,562</b>	<b>3,250,845</b>

### 6.36 Audit Costs

In 2015-16 Carmarthenshire County Council incurred the following fees relating to financial audit and inspection, payable to the Wales Audit Office:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Financial Audit Services	184	184
Local Government Measure	116	116
Certification of Grant Claims & Returns	188	154
Burry Port Harbour Inspection	2	2
<b>Total</b>	<b>490</b>	<b>456</b>



**6.37 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 2015 to 30<sup>th</sup> June 2016:

Description	Policy Excess (per claim/ event)	Stop Loss	Indemnity Limit
Liability	Public Liability £250,000  Employers' Liability £130,000	£3,150,000	£30,000,000
Property	Education Properties - £250,000  General Properties - £50,000  Housing Properties - £50,000	£1,000,000	Sum Insured £1,925,625,471
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

**6.38 Grant Income**

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

	2014-15 £'000	2015-16 £'000
<b>Credited to Services</b>		
<b>Education &amp; Children's Services:</b>		
DCELLS Post 16 & ACL Funding	6,648	6,348
Flying Start	3,251	3,782
Cymorth Grant	2,244	1,994
Education Improvement Grant*	8,453	8,159
Deprivation Grant	3,348	3,931
<b>Adult Social Services:</b>		
Supporting People	6,870	6,465
Continuing Health Care Grant	923	1,284
Intermediate Care Fund	6,504	2,295
Work Choice	516	401
Wanless Grant	800	700
Houses into Homes	817	758
General Capital Grant	3,548	2,605
Improvement Agreement Grant	1,227	0
Specific Grant for Renewals	654	206
Community Team Learning Disabilities	0	2,487
ARBED Energy Efficiency	0	1,368
<b>Highways &amp; Transport Services:</b>		
Concessionary Fares Subsidy	1,791	1,987
Local Transport Services Grant	695	740
Convergence (European)	415	30
<b>Cultural, Environmental, Regulatory &amp; Planning Services:</b>		
Sustainable Waste Management Grant	4,015	3,968
Convergence (European)	4,269	3,589
Rural Development Plan	2,924	445
Strategic Regeneration Area Grant	0	2,631
Workways	424	0
Communities First Cluster	742	709
Sports Council for Wales	567	513
<b>Central Services to the Public:</b>		
Housing Benefit	50,236	51,044
Other Grants - WAG funded	4,704	3,677
Other Grants	6,547	4,772
Total	<u>123,132</u>	<u>116,888</u>

\*In 2015-16 the Foundation Phase, 14-19 funding, School Effectiveness and Welsh in Education grants were combined to form the Education Improvement Grant.

	2014-15 £'000	2015-16 £'000
<b>Revenue Support Grant</b>	<b>202,696</b>	<b>199,071</b>
<b>General Government Grants</b>		
Outcome Agreement Grant	565	565
Other	222	0
<b>Total</b>	<b>787</b>	<b>565</b>
<b>Capital Grants and Contributions</b>		
21st Century Schools Grant/School Building Improvement Grant	29,831	11,291
Major Repairs Allowance	6,190	6,166
Flying Start	814	1,287
Improvement Agreement Grant	100	1,342
Transport Grants	1,364	3,799
General Capital Grant	0	940
Targeted Match Funding	305	11
ERDF Convergence	5,024	640
Intermediate Care Fund	518	0
Vibrant & Viable Places VVP*	300	998
ARBED Energy Efficiency	0	265
Other Grants & Contributions*	783	2,448
<b>Total</b>	<b>45,229</b>	<b>29,187</b>

\*The 'Other Grants and Contributions' 2014-2015 comparator has been restated by - £280k. This reflects a significant increase in Vibrant & Viable Places (VVP) which is now shown separately (£300k) and includes 3 other small balances (£20k).

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 2015 £'000	31 March 2016 £'000
<b>Revenue Grants Receipts in Advance</b>		
Houses into Homes Grant	758	0
Communities various	127	75
Environment various	140	51
Chief Executive's various	25	0
Education various	136	114
	<b>1,186</b>	<b>240</b>

### **6.39 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 6.38.

#### **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 6.32

#### **Dyfed Pension Fund**

The Dyfed Pension Fund is administered by Carmarthenshire County Council. Transactions between the two bodies are detailed in Note 6.43. Short Term Creditors (Note 6.19) includes an amount of £2.3m owed to the Dyfed Pension Fund at 31<sup>st</sup> March 2016. (£3.6m at 31<sup>st</sup> March 2015).

#### **CWM Environmental Limited**

CWM Environmental Limited is a wholly owned subsidiary company of Carmarthenshire County Council. Details of investments are included in Note 6.11 under Long Term Investments.

#### **Members' Interests**

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

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015-16 is shown in Note 6.33.

The Authority paid grants totalling £80k to organisations in which twelve members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

**Officers' Interests**

During 2015-16, the Assistant Chief Executive (Focus & Policy) continued the position representing Carmarthenshire County Council on the Board of Coleg Sir Gar.

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

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure	564	428
Income	1,194	1,002
	<b>2015</b>	<b>2016</b>
Balances outstanding at 31st March:	<b>£'000</b>	<b>£'000</b>
Creditor	407	3
Debtor	411	310

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

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

**6.40 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>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	81,987	66,998
Investment Properties	1,269	1,101
Heritage Assets	109	0
Long Term Loans	0	6
Revenue Expenditure Funded from Capital under Statute	16,704	16,723
Buyout of HRA Subsidy	0	78,969
	<u>100,069</u>	<u>163,797</u>
<b>Sources of Finance</b>		
Capital Receipts	4,697	10,050
Government grants and other contributions	58,605	41,483
Sums set aside from revenue	7,751	11,682
Direct revenue contributions	10,061	9,990
Borrowing	18,955	90,592
	<u>100,069</u>	<u>163,797</u>
<b>Opening Capital Financing Requirement</b>	<b>369,097</b>	<b>373,821</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrow (supported by government financial assistance)	2,635	2,525
Increase in underlying need to borrow (unsupported by government financial assistance)	2,089	77,979
Increase/(decrease) in Capital Financing Requirement	<u>4,724</u>	<u>80,504</u>
<b>Closing Capital Financing Requirement</b>	<b><u>373,821</u></b>	<b><u>454,325</u></b>

**6.41 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>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>
Not later than one year	662	810
Later than one year and not later than five years	1,928	2,567
Later than five years	<u>5,488</u>	<u>5,093</u>
	<b><u>8,078</u></b>	<b><u>8,470</u></b>

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

	<b>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>
Minimum Lease payments	1,231	1,081

**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>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>
Not later than one year	1,176	1,050
Later than one year and not later than five years	3,288	3,044
Later than five years	24,189	24,031
	<u><b>28,653</b></u>	<u><b>28,125</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 2015/16 £104,391 contingent rents were receivable by the Authority. (£181,602 in 2014/15).

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.

#### **6.42 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.

#### **6.43 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 2015-16 Carmarthenshire County Council paid £9.63m to the Department for Education in respect of teachers' pension costs, which represents 16.48% of teachers and lecturers pensionable pay. The figures for 2014-15 were £8.85m and 14.1%. There were no contributions remaining payable at year-end. The contributions due to be paid in the next financial year are estimated to be £10.2m.



In addition, the County Council is responsible for all pension payments relating to added years it has awarded together with the related increases. In 2015-16 these amounted to £0.480m.

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.

#### **6.44 Defined Benefit Pension Schemes**

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

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

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

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

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

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

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

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

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

	<b>2014-15 £'000</b>	<b>2015-16 £'000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
Current Service Cost	22,647	28,207
Past Service Costs	47	18
Settlements and Curtailments	2,919	3,838
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	8,350	9,185
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>33,963</b>	<b>41,248</b>
<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	(76,898)	34,687
Actuarial gains and losses arising on changes in financial assumptions	156,886	(63,159)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>113,951</b>	<b>12,776</b>
<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	(33,963)	(41,248)
<b>Actual amount charged against the Council Fund Balance for pensions in the year:</b>		
Employers' Contributions payable to Scheme	24,217	24,413

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

Reconciliation of present value of the scheme liabilities:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	(926,948)	(1,126,044)
Current Service Cost	(22,647)	(28,207)
Interest cost	(41,081)	(36,611)
Contributions by scheme participants	(7,360)	(7,220)
Actuarial gains and losses arising on changes in financial assumptions	(156,886)	63,159
Curtailments	(2,919)	(3,838)
Benefits paid	31,844	34,839
Past service costs	(47)	(18)
Balance as at 31 March	<u>(1,126,044)</u>	<u>(1,103,940)</u>
	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April	740,531	849,893
Interest on plan assets	33,318	27,994
Experience gain on assets	76,898	(34,687)
Administration expenses	(587)	(568)
Employer contributions	24,217	24,413
Contributions by scheme participants	7,360	7,220
Benefits paid	(31,844)	(34,839)
Balance as at 31 March	<u>849,893</u>	<u>839,426</u>
<b>Net Scheme Liabilities</b>	<b><u>(276,151)</u></b>	<b><u>(264,514)</u></b>

The Dyfed Pension Fund assets comprised:

		<u>Quoted</u>	<b>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>
Equities	UK	Yes	200,489	200,119
	Overseas Pooled Funds	No	168,279	174,013
	US	Yes	97,483	88,895
	Canada	Yes	4,249	3,190
	Japan	Yes	29,661	33,409
	Pacific Rim	No	25,412	23,504
	Emerging Markets	No	55,073	56,913
Bonds	UK Index linked	Yes	90,174	80,165
	UK Corporate	No	85,414	82,180
Property	Property Funds	No	87,369	93,512
Cash	Cash instruments	Yes	425	0
	Cash accounts	Yes	3,315	1,679
	Net current assets	No	2,550	1,847
<b>Total</b>			<b><u>849,893</u></b>	<b><u>839,426</u></b>

### Scheme History

	<b>2011-12</b> <b>£'000</b>	<b>2012-13</b> <b>£'000</b>	<b>2013-14</b> <b>£'000</b>	<b>2014-15</b> <b>£'000</b>	<b>2015-16</b> <b>£'000</b>
Present value of liabilities in the Local Government Pension Scheme	(827,233)	(978,044)	(926,948)	(1,126,044)	(1,103,940)
Fair value of assets in the Local Government Pension Scheme	601,309	685,882	740,531	849,893	839,426
<b>Surplus/(deficit) in the scheme</b>	<b><u>(225,924)</u></b>	<b><u>(292,162)</u></b>	<b><u>(186,417)</u></b>	<b><u>(276,151)</u></b>	<b><u>(264,514)</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 £265m 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 2017 is £19.7m.

### 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 2013.

The main assumptions used in its calculations are shown below:

	2014-15	2015-16
	%	%
<b>Financial Assumptions:</b>		
Rate of CPI inflation	2.0	2.0
Rate of increase in salaries	3.50	3.50
Rate of increase in pensions	2.0	2.0
Rate for discounting Fund liabilities	3.3	3.6

	2014-15	2015-16
	%	%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	23.3	23.4
Women	25.8	25.9
Longevity at 65 for future pensioners:		
Men	25.5	25.7
Women	28.1	28.2

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

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

	<b>Increase in assumption £'000</b>	<b>Decrease in assumption £'000</b>
Longevity (increase or decrease of 1 year)	22,168	(22,168)
Rate of inflation (increase or decrease by 0.1% p.a.)	20,678	(20,678)
Rate of increase in salaries (increase or decrease by 0.1% p.a.)	5,427	(5,427)
Rate of increase in pensions (increase or decrease by 0.1% p.a.)	20,678	(20,678)
Rate for discounting scheme liabilities (increase or decrease by 0.1% p.a.)	(20,295)	20,295

#### **6.45 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. In order to clarify the intent of the arrangement and to limit this potential liability, the Council will be entering into a new agreement with the water supplier which ensures that it is acting as an agent.

**6.46 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 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Financial liabilities (principal amount)	274,575	370,309	5,262	5,727
Accrued Interest	0	0	2,415	3,287
Other accounting adjustments	117	116	0	0
Financial liabilities at amortised cost				
<b>Total borrowings</b>	<b>274,692</b>	<b>370,425</b>	<b>7,677</b>	<b>9,014</b>
Loans and receivables (principal amount)	680	630	27,020	8,020
Accrued Interest	154	151	28	18
Loans and receivables at amortised cost	834	781	27,048	8,038
Unquoted equity investment at cost	330	329	0	0
<b>Total investments</b>	<b>1,164</b>	<b>1,110</b>	<b>27,048</b>	<b>8,038</b>
Soft loans provided (Note i)	0	1190	0	0

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

	<u>Soft Loans</u>	
	31-Mar-15	31-Mar-16
Opening Balance	0	0
+ New loans granted	0	1,350
- Fair value adjustment	0	232
+ Loans repaid	0	72
<b>Balance carried forward</b>	<b>0</b>	<b>1,190</b>
<b>Nominal value carried forward</b>	<b>0</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			
	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000	2014-15 £'000	2015-16 £'000
Interest expense	(13,871)	(17,639)	0	0	(13,871)	(17,639)
Impairment Losses	0	0	0	0	0	0
<b>Interest payable and similar charges</b>	<b>(13,871)</b>	<b>(17,639)</b>	<b>0</b>	<b>0</b>	<b>(13,871)</b>	<b>(17,639)</b>
Interest Income	0	0	473	450	473	450
<b>Interest and investment income</b>	<b>0</b>	<b>0</b>	<b>473</b>	<b>450</b>	<b>473</b>	<b>450</b>
<b>Net gain/(loss) for the year</b>	<b>(13,871)</b>	<b>(17,639)</b>	<b>473</b>	<b>450</b>	<b>(13,398)</b>	<b>(17,189)</b>

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

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

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



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

The fair values calculated are as follows:

	31 March 2015		31 March 2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
PWLB Debt	277,989	408,034	372,815	542,509
Non - PWLB debt	4,380	5,590	6,623	8,198
<b>Total Financial Liabilities</b>	<b>282,369</b>	<b>413,624</b>	<b>379,438</b>	<b>550,707</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 2015		31 March 2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Money market loans < 1year	27,048	27,048	8,038	8,038
Money market loans > 1year	834	834	781	781
Total investments	27,882	27,882	8,819	8,819
Trade Debtors	13,042	13,042	12,030	12,030
<b>Total Loans and Receivables</b>	<b>40,924</b>	<b>40,924</b>	<b>20,849</b>	<b>20,849</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 £542.509m 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 £372.815m would be valued at £469.804m. 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 £542.509m, comprising £369.591m principal; £3.223m accrued interest and a penalty of £169.695m.

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

#### **Key Risks**

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

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

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

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

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

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

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

The annual Treasury Management strategy which incorporates the prudential indicators was approved by Council on 24<sup>th</sup> February 2015 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2015/16 was set at £549m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £500m. 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 £480m and £48m 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 £18k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but excepting the £4m KSF deposit (detailed at the end of this note), there was no evidence at the 31 March 2016 that this was likely to crystallise.

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

	Amount at 31 March 2016 £'000	Historical Experience of default %	Adjustment for market conditions at 31 March 2016 %	Estimated maximum exposure to default £'000
<u>Deposits with banks and financial institutions</u>				
AAA rated counterparties	25,000	0.00	0.00	0
A rated counterparties	20,000	0.09	0.09	18
Trade debtors	12,030	3.50	3.50	421
	<u>57,030</u>			<u>439</u>

The investment of £0.65m 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 £12.030m shown above includes £7.916m which is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>31st March 2015 £'000</b>	<b>31st March 2016 £'000</b>
Less than three months	2,151	1,547
Three to six months	647	830
Six months to one year	942	991
More than one year	3,660	4,548
	<u>7,400</u>	<u>7,916</u>

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 2016 was £716k.

### 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.

	2014-2015			2015-2016		
	Approved Maximum Limit	Approved Minimum Limit	31st March 2015 £'000	Approved Maximum Limit	Approved Minimum Limit	31st March 2016 £'000
	%	%		%	%	
Less than one year	15	0	7,677	15	0	8,169
Between one and two years	25	0	5,723	25	0	9,970
Between two and five years	50	0	21,663	50	0	25,512
Between five and ten years	50	0	44,472	50	0	41,348
More than ten years	100	25	202,834	100	25	294,440
			282,369			379,439

The maturity analysis of financial assets is as follows:

	2014-2015 £'000	2015-2016 £'000
Less than one year	27,048	8,038
Greater than one year	834	781
	27,882	8,819

All trade and other payables are due to be paid in less than one year and trade debtors of £12.030m are not shown in the table above.

### Market Risk

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

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

- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

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

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

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

Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(296)
Increase in Government grant receivable for financing costs	(164)
Impact on Surplus or Deficit on the Provision of Services	(460)
Share of overall impact debited to the HRA*	214
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	(246)

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)	78,291
--	--------

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 2016 and the Council Fund

bearing the impact of the impairment. During 2015-16 £53k of the provision has been released and £802k is being maintained as a contingency against future changes.

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 £3.350m was received (83.75%) to 2015-16. An estimated further 1.75% is expected to be received by the end of 2017-18, taking total dividends expected to be paid to 85.5%.

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	83.75%
Qtr 4 2016-17	0.50%
Qtr 4 2017-18	1.25%

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.

#### 6.47 **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>2014-15</b>		<b>2015-16</b>
<b>£'000</b>	<b><u>Expenditure</u></b>	<b>£'000</b>
66	Employee Costs	34
25	Premises Related Costs	28
0	Transport Related Costs	0
45	Supplies and Services	78
33	Central Recharges	35
10	Divisional and Departmental Recharges	5
176	Capital Costs	170
<b>355</b>	<b><u>Total Expenditure</u></b>	<b>350</b>
	<b><u>Income</u></b>	
(125)	Fees and Costs Recoverable	(119)
(16)	Other Income	(1)
<b>(141)</b>	<b><u>Total Income</u></b>	<b>(120)</b>
<b>214</b>	<b><u>Net Cost</u></b>	<b>230</b>



2014-15		2015-16
£'000	<u>Assets held:</u>	£'000
3,326	Infrastructure, Land & Buildings	3,223
804	Plant / Vehicles / Equipment	737
<u>4,130</u>		<u>3,960</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 Interim Head of Financial Services, Corporate Services Department, County Hall, Carmarthen, SA31 1JP.

#### 6.48 Reconciliation of Net Deficit to Net Cashflows from Operating Activities

2014-15		2015-16
£'000		£'000
(36,751)	Surplus/(Deficit) for Year:	(222,417)
44,389	Depreciation	37,764
55,386	Impairment & Downward Valuations	139,509
4,018	Increase in Creditors	(7,091)
(8,420)	Increase in Debtors	5,635
(6)	Decrease in Inventories	60
(9,746)	Movement in Pension Liability	(16,835)
(30,323)	Other non-cash transactions	92,519
<u>18,547</u>	<b>Net Cash Flow from Operating Activities</b>	<u>29,144</u>

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

2014-15 £'000		Note	2015-16 £'000
	<b>Expenditure</b>		
	Repairs and Maintenance		
1,743	- Responsive		2,158
4,279	- Planned/Cyclical		4,102
2,125	- Voids		2,674
6,825	Supervision and Management		6,698
1,446	Central Support Charges		1,354
235	Rents, Rates Taxes and other charges		279
414	Movement in the allowance for Bad Debts		258
6,255	HRA Subsidy payable	8.6	0
21,950	Depreciation and Impairment of non current assets	8.12	145,663
	Revenue Expenditure funded from Capital under		
56	Statute		78,992
33	Debt Management Costs		62
<u>45,361</u>	<b>Total Expenditure</b>		<u>242,240</u>
	<b>Income</b>		
(33,542)	Dwelling rents	8.1	(34,971)
(90)	Non-Dwelling Rents	8.1	(93)
(177)	Leaseholders	8.2	6
(839)	Service Charges	8.2	(937)
(220)	Grants	8.7	(135)
(632)	Other Income		(622)
(508)	Commission - Water Rates	8.8	(492)
<u>(36,008)</u>	<b>Total Income</b>		<u>(37,244)</u>
	<b>Net cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>		
<b>9,353</b>			<b>204,996</b>
256	HRA services' share of Corporate and Democratic Core		283
<b>9,609</b>	<b>Net (Income)/cost for HRA Services</b>		<b>205,279</b>
	<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(17)	(Gain) or loss on the sale of HRA Non Current		14
5,166	Interest Payable and similar charges		9,942
(76)	Interest and Investment Income		(56)
180	Net interest on the net defined benefit liability (asset)		194
<u>(6,834)</u>	Capital grants and contributions receivable		<u>(6,457)</u>
<u><b>8,028</b></u>	<b>(Surplus) or Deficit for the year on HRA Services</b>		<u><b>208,916</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.

<b>2014-15</b>		<b>Note</b>	<b>2015-16</b>	<b>2015-16</b>
<b>£'000</b>			<b>£'000</b>	<b>£'000</b>
(15,110)	Balance on the HRA at the end of the previous year			(10,662)
8,028	(Surplus) or deficit for the year on the HRA Income and Expenditure Account		208,916	
(3,824)	Adjustments between accounting basis and funding basis under statute	7.3	(207,414)	
4,204	Net Increase or (decrease) before transfers to or from reserves		1,502	
244	Transfers (to) or from reserves	7.4	40	
4,448	(Increase) or decrease in year on the HRA			1,542
<b>(10,662)</b>	<b>Balance on the HRA at the end of the current year</b>			<b>(9,120)</b>

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

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
(40)	Amortisation of Premiums and Discounts	(33)
4	Transfers to / (from) Accumulated Absences Account	(6)
17	Gain or loss on sale of HRA noncurrent assets	(14)
(211)	HRA share of contributions to or from the Pensions Reserve	(341)
8,986	Capital expenditure funded by the HRA	8,493
(12,580)	Transfer to / from the Capital Adjustment Account	(215,513)
<b>(3,824)</b>		<b>(207,414)</b>

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

<b>2014-15</b>				<b>2015-16</b>		
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trfs from	Trfs to	Net		Trfs from	Trfs to	Net
215	(42)	173	Insurance Reserve	211	(213)	(2)
37	0	37	Salix	41	0	41
34	0	34	Corporate Retirement Fund	1	0	1
<b>286</b>	<b>(42)</b>	<b>244</b>		<b>253</b>	<b>(213)</b>	<b>40</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 2015-16 this totalled £35m (£33.5m for 2014-15). At the 31<sup>st</sup> March 2016 2.17% of lettable properties were vacant (2.12% in 2014-15). Average rents were £76.30 a week in 2015-16 (£73.02 in 2014-15).

**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 - £937k in 2015-16 (£839k in 2014-15).

Leaseholders charges were identified separately in 2014-15 being the first full year of data. In 2015/16 there was significantly less income due to very few repairs and there was a need to write off some prior year's debt.

**8.3 Rebates**

Assistance with rents is available under the Housing Benefit Scheme for those on low incomes. This totalled £21.6m in 2015-16 (£21.1m for 2014-15). 65.3% of the Council's tenants receive some help with the cost of rent and Council Tax (66.2% in 2014-15).

**8.4 Housing Stock**

The Council was responsible for managing on average 8,993 dwellings during 2015-16 (8,997 in 2014-15). The stock at 31 March 2016 was as follows:

	<b>2014-15</b>	<b>2015-16</b>
Houses	4,854	4,858
Flats / Maisonettes / Bedsits	2,167	2,174
Bungalows	1,962	1,970
	<b>8,983</b>	<b>9,002</b>
	<b>8,983</b>	<b>9,002</b>

The change in stock can be summarised as follows:

	<b>2014-15</b>	<b>2015-16</b>
Opening Stock as at 1 April	9,010	8,983
Sales	(35)	(4)
Demolitions/Deactivated	(9)	0
New Building/Acquisitions/Conversions	17	23
Closing Stock as at 31 March	<b>8,983</b>	<b>9,002</b>
	<b>8,983</b>	<b>9,002</b>

**8.5 Rent Arrears**

	<b>As at 31 March 2015 £'000</b>	<b>As at 31 March 2016 £'000</b>
Arrears	2,360	2,115
Arrears as a Percentage of Gross Rent Income	6.91%	5.93%

There is a 0.5% year on year decrease of current tenants rent arrears as a percentage of gross collectable rent debit. Performance is outside margins of what is considered good practice level (2%) at 3.12%. There is a 0.48% year on year decrease in former tenants rent arrears as a percentage of gross collectable rent debit however allowing for the £419k write-offs there is a 0.39% deterioration in performance.

Provision for Bad Debts at 31 March 2016 was £1,052,587 for rent (£1,158,599 inclusive of water rates). The comparative figures for 2014-15 are £1,198,170 for rent (£1,318,119 inclusive of water rates).

**8.6 HRA Subsidy (HRAS)**

Welsh local housing authorities exited the HRAS on 01/04/15 resulting in Carmarthenshire taking on of additional debt of £79m. Previously we paid Welsh Government for the surplus on our notional HRA, in 2014/15 this was £6.255m. The agreement to exit also placed a limit on the borrowing we could undertake in relation to our HRA activities.

**8.7 Grants**

Supporting People Grant £135k (£220k in 2014-15) was received from the Welsh Government during 2015-16 as a result of the de-pooling of tenants support service costs.

**8.8 Commission**

The Authority collects water rates on behalf of Dwr Cymru Welsh Water and receives commission on the monies due. In 2015-16 this amounted to £492k (£508k in 2014-15) net of void loss on properties. The value of water rates was £3.8m in 2015-16 (£3.9m in 2014-15).

**8.9 Capital Expenditure**

Capital Expenditure in 2015-16 on HRA land and dwellings totalled £15.269m (£25.151m in 2014-15). £78.969m was also spent on exiting the Housing Revenue Account Subsidy system.

	2014-15 £'000	2015-16 £'000
<b>Funded by :</b>		
Major Repairs Allowance	6,190	6,166
Borrowing	8,666	78,969
Grants	644	194
Miscellaneous Income	32	98
Direct Revenue Financing	8,986	8,493
Capital Receipts - Sales of Dwellings/Land	628	316
Capital Receipts - Mortgage Principal	5	2
	<b>25,151</b>	<b>94,238</b>
<b>Spent on:</b>		
Houses	25,036	94,238
Land	37	0
Other	78	0
	<b>25,151</b>	<b>94,238</b>

**8.10 Capital Receipts**

Capital Receipts in 2015-16 totalled £0.4m (£2.1m in 2014-15). The table below shows the type of receipt and how much was used to finance capital expenditure and how much was used to repay debt.

	Financing Expenditure 2014-15 £'000	Repayment of Debt 2014-15 £'000	Total 2014-15 £'000	Financing Expenditure 2015-16 £'000	Repayment of Debt 2015-16 £'000	Total 2015-16 £'000
Sales of Council Dwellings	442	1,443	1,885	17	118	135
Sale of Land	173	0	173	300	0	300
Mortgage Principal	5	16	21	2	5	7
Other	13	12	25	0	0	0
	<b>633</b>	<b>1,471</b>	<b>2,104</b>	<b>319</b>	<b>123</b>	<b>442</b>

**8.11 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:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>HRA Income &amp; Expenditure Statement</u></b>		
<b>Cost of Service:</b>		
Current Service Cost	487	599
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Cost	<u>883</u>	<u>776</u>
<b>Total Post Employment Benefit charged to the Surplus or (Deficit) for the year on HRA Services</b>	<u><u>1,370</u></u>	<u><u>1,375</u></u>
<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	(666)	(794)
<b>Actual amount charged against the HRA Balance for pensions in the year:</b>		
Employers' Contributions payable to Scheme	<u>455</u>	<u>453</u>
	<u><u>(211)</u></u>	<u><u>(341)</u></u>

**8.12 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>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation on dwellings	17,635	11,174
Revaluation losses & impairments	4,315	134,489
	<u>21,950</u>	<u>145,663</u>

Revaluation losses and impairments were incurred on:

	<b>2014-15</b>	<b>2015-16</b>
	<b>£'000</b>	<b>£'000</b>
Houses	4,200	134,489
Land	37	0
Other	78	0
	<u>4,315</u>	<u>134,489</u>



## 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

2014-15 £'000 31/03/15		2015-16 £'000 31/03/16
	<b>Income</b>	
(14)	Rent of Buildings/Land	(14)
(67)	Investment Income	(72)
0	Other Income	(6)
(81)		(92)
	<b>Expenditure</b>	
83	Grants to Voluntary & Other Organisations	195
18	Management and Administration	17
20	<b>Revenue Account (Surplus)/Deficit for the Year</b>	120
(35)	Net Profit on Sales of Investments	(39)
(290)	Change in unrealised (Gains)/Losses on investments	162
	Change in unrealised (Gains)/Losses on Non- Current	
1,232	Assets	0
927	<b>Net (Surplus)/Deficit for the Year</b>	243

**Net Assets Statement**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>31/03/15</b>		<b>31/03/16</b>
3,396	Investments	3,195
950	Other Land & Buildings	950
4,346		4,145
14	Debtors	0
641	Cash	729
(97)	Creditors	(213)
<b>4,904</b>	<b>Net Assets</b>	<b>4,661</b>
	<b>Represented by</b>	
431	Capital Adjustment Account	431
500	Revaluation Reserve	500
2,269	Capital Fund	2,229
558	Revenue Fund	516
1,146	Unrealised Profit/(Loss) Reserve	985
<b>4,904</b>	<b>Closing Balance of Fund</b>	<b>4,661</b>

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

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
5,831	Opening Net Assets	4,904
(20)	Revenue Account Surplus/(Deficit) for the Year	(120)
35	Net Profit on Sale of Investments	38
290	Unrealised Profit/(Loss) Reserve - Investments	(161)
(1,232)	Unrealised Profit/(Loss) Reserve - Non-Current Assets	0
<b>4,904</b>	<b>Closing Net Assets of the Fund</b>	<b>4,661</b>

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

2014-15 £'000 31/03/15		2015-16 £'000 31/03/16
	<b>Income</b>	
(6)	Rent of Buildings/Land	(6)
(27)	Investment Income	(28)
0	Other Income	(6)
(33)		(40)
	<b>Expenditure</b>	
54	Grants to Voluntary & Other Organisations	122
7	Management & Administration	6
28	<b>Revenue Account (Surplus)/Deficit for the Year</b>	88
(14)	Net Profit on Sales of Investments	(15)
(119)	Change in unrealised (Gains)/Losses on Investments	66
505	Change in unrealised (Gains)/Losses on Non-Current Assets	0
400	<b>Net (Surplus)/Deficit for the Year</b>	139

**Net Assets Statement**

2014-15 £'000		2015-16 £'000
1,393	Investments	1,310
389	Other Land & Buildings	389
1,782		1,699
6	Debtors	0
158	Cash	185
(72)	Creditors	(149)
1,874	<b>Net Assets</b>	1,735
	<b>Represented by</b>	
177	Capital Adjustment Account	177
205	Revaluation Reserve	205
931	Capital Fund	914
91	Revenue Fund	35
470	Unrealised Profit/(Loss) Reserve	404
1,874	<b>Closing Balance of Fund</b>	1,735

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

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
2,274	Opening Net Assets	1,874
(28)	Revenue Account Surplus (Deficit) for the Year	(88)
14	Net Profit on Sales Reinvested	15
119	Unrealised Profit/(Loss) Reserve - Investments	(66)
(505)	Unrealised Profit/(Loss) Reserve - Non-Current Assets	0
<u>1,874</u>	<b>Closing Net Assets of the Fund</b>	<u>1,735</u>

**10 TRUST FUNDS 2015-2016****10.1 Receipts & Payments Account for the Year Ended 31 March 2016**

<b>Total</b>		<b>Education Services</b>	<b>Social Services</b>	<b>Cultural Services</b>	<b>Total</b>
<b>2014-15</b>		<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Receipts</b>				
(308)	Dividends/Interest/Sales/Contributions	(92)	(4)	(187)	(283)
304	<b>Payments</b>	120	11	174	305
<u>(4)</u>	<b>(Surplus)/Deficit</b>	<u>28</u>	<u>7</u>	<u>(13)</u>	<u>22</u>

**10.2 Balance Sheet as at 31 March 2016**

<b>Total</b>		<b>Education Services</b>	<b>Social Services</b>	<b>Cultural Services</b>	<b>Total</b>
<b>2014-15</b>		<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>	<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Assets</b>				
264	Investments	239	24	0	263
21	Stocks	0	0	19	19
5	Debtors	0	0	1	1
552	Cash	271	59	208	538
<u>842</u>	<b>Total Assets</b>	<u>510</u>	<u>83</u>	<u>228</u>	<u>821</u>
	<b>Liabilities</b>				
(2)	Creditors	0	0	(3)	(3)
<u>(2)</u>	<b>Total Liabilities</b>	<u>0</u>	<u>0</u>	<u>(3)</u>	<u>(3)</u>
<u>840</u>	<b>NET ASSETS</b>	<u>510</u>	<u>83</u>	<u>225</u>	<u>818</u>

Investments are shown at Book Value, however their Market Value as at 31<sup>st</sup> March 2016 was £720,125 (£758,223 as at 31<sup>st</sup> March 2015).

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**11 NOTES TO THE TRUST FUNDS****11.1 Background**

Carmarthenshire County Council is currently responsible for the administration of sixty one 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 eight trusts on behalf of social services clients. Five are for the benefit of residents at specific residential homes throughout the County. Three relate to funds administered on behalf of individuals. Owing to the sensitive nature of these three trusts and the need to maintain privacy, details about the purpose for which each is administered is not published.

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**12 SOCIAL CARE / CHILDREN'S SERVICES – SAFEKEEPING, SAFE CUSTODY, AMENITY FUNDS & STAFF BENEFIT ACCOUNTS****12.1 Residents Safekeeping**

People in residential homes are allowed a personal allowance payable to them each week. If the resident does not wish to spend all of this allowance in any given week, the balance is paid into the Residents Safekeeping account. The balance as at 31<sup>st</sup> March 2016 was £341,392 (£324,512 as at 31<sup>st</sup> March 2015) 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 2016 was £1,043,271 (£1,379,015 as at 31<sup>st</sup> March 2015) 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 2016 was £74,717 (£74,381 as at 31<sup>st</sup> March 2015).

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 2016 was £2,298 (£4,989 as at 31<sup>st</sup> March 2015).

**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 2016 was £8,431 (£5,541 as at 31<sup>st</sup> March 2015).

**13 DYFED PENSION FUND STATEMENT OF ACCOUNTS****EXPLANATORY FOREWORD**

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2015-16. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16, which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice (Revised May 2007) published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

For readers with a more detailed or specialist interest of the operation of the Dyfed Pension Fund during 2015-16, reference should be made to the Annual Report and Accounts 2015-16 (when published).

The main accounts and reports contained within this Statement of Accounts are as follows:

- The Fund Account
- The Net Assets Statement
- The Statement by the Consulting Actuary



**Fund Account for the Year Ended 31 March 2016**

2014-15 £'000		<u>Note</u>	2015-16 £'000
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions			
Employer			
37,244	Normal		36,503
7,465	Augmentation		7,082
6,368	Deficit		7,508
Member			
17,750	Normal		17,484
56	Additional voluntary		177
1,317	Transfers in from other pension funds	13.6	1,986
<u>70,200</u>			<u>70,740</u>
Benefits payable			
(56,527)	Pensions payable		(59,798)
(14,764)	Commutation and lump sum retirement benefits		(13,392)
(1,214)	Lump sum death benefits		(1,400)
(2,421)	Payments to and on account of leavers	13.7	(4,027)
<u>(74,926)</u>			<u>(78,617)</u>
<b>(4,726)</b>	<b>Net Additions (Withdrawals) from dealings with Members</b>		<b>(7,877)</b>
<b>Returns on Investments</b>			
26,383	Investment Income	13.9	28,061
106	Other Income		57
(33)	Taxes on Income (Irrecoverable Withholding Tax)	13.10	(32)
Changes in the market value of investments			
103,751	Unrealised	13.11.2	(78,090)
122,088	Realised	13.11.3	49,974
(4,856)	Management Expenses	13.8	(5,305)
<u>247,439</u>	<b>Net Return on Investments</b>		<u>(5,335)</u>
<b>242,713</b>	<b>Net Increase (Decrease) in the net assets available for benefits during the year</b>		<b>(13,212)</b>
1,670,908	Opening Net Assets of Scheme		1,913,621
<u><b>1,913,621</b></u>	<b>Closing Net Assets of Scheme</b>		<u><b>1,900,409</b></u>

**Net Assets Statement**

<b>31/03/15</b>		<b><u>Note</u></b>	<b>31/03/16</b>
<b>£'000</b>			<b>£'000</b>
1,905,698	Investment Assets		1,894,613
2,774	Cash deposits		1,715
(16)	Investment liabilities		(948)
<u>1,908,456</u>		13.11.1	<u>1,895,380</u>
9,926	Current assets	13.16	9,227
(4,761)	Current liabilities	13.17	(4,198)
<u>5,165</u>	Net Current Assets/(Liabilities)		<u>5,029</u>
<u><b>1,913,621</b></u>	<b>Total Net Assets</b>		<u><b>1,900,409</b></u>

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

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
1,670,908	Opening Net Assets	1,913,621
16,873	Net New Money Invested	14,904
225,840	Profit and losses on disposal of investments and changes in the market value of investments	(28,116)
<u><b>1,913,621</b></u>	<b>Closing Net Assets of Fund</b>	<u><b>1,900,409</b></u>

## NOTES TO THE PENSION FUND ACCOUNTS

### 13.1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Carmarthenshire County Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report and Accounts 2015-16 (when published) and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

#### 13.1.1 General

The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Scheme Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined pension scheme administered by Carmarthenshire County Council to provide pensions and other benefits for pensionable employees of Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council and a range of other scheduled and admission bodies within the former Dyfed geographical area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Dyfed Pension Fund Panel (the Panel).

#### 13.1.2 Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Dyfed Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 66 employer organisations within the Dyfed Pension Fund as at 31<sup>st</sup> March 2016 and these are detailed in Note 13.21. The membership details of these organisations are summarised below:

<b>31/03/15</b>		<b>31/03/16</b>
19,451	Number of active contributors in the Fund	18,970
10,906	Number of pensioners	11,462
13,854	Number of deferred pensioners	14,499
<u><u>44,211</u></u>	<b>Total membership</b>	<u><u>44,931</u></u>
49	Number of employers with active members	49

These figures reflect the recorded position as at 31<sup>st</sup> March 2016 but are always subject to some movement post year end for notifications from employing bodies received after this date.

### 13.1.3 **Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2016. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2013. Currently, employer contribution rates range from 7.4% to 27.7% of pensionable pay as detailed in Note 13.21.

### 13.1.4 **Benefits**

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	<b>Service pre 1 April 2008</b>	<b>Service post 31 March 2008</b>
<b>Pension</b>	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
<b>Lump Sum</b>	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1<sup>st</sup> April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. Accrued pension is uprated annually in line with the Consumer Price Index (CPI).

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. For more details, please refer to the Dyfed Pension Fund website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk)

### **13.2 Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2015-16 financial year and its position at year end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

### **13.3 Summary of significant accounting policies**

#### **Fund Account – revenue recognition**

#### **13.3.1 Contributions**

Normal contributions, both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

#### **13.3.2 Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

### 13.3.3 **Investment income**

#### 13.3.3.1 **Interest income**

Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

#### 13.3.3.2 **Dividend income**

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a financial asset.

#### 13.3.3.3 **Distributions from pooled funds**

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a financial asset.

#### 13.3.3.4 **Movement in the net market value of investments**

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

### 13.3.4 **Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

### 13.3.5 **Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

As Carmarthenshire County Council is the administering Authority, VAT is recoverable on all Fund Activities. The Accounts are shown exclusive of VAT.

### 13.3.6 **Management Expenses**

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All administrative expenses are accounted for on an accruals basis. All staff, management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.34m in 2015-2016 (2014-2015: Fee was £0.11m).

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2015-2016, £0.4m of fees is based on such estimates (2014-2015: £1m).

The costs of the council's pension investments team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund.

### **Net Assets Statement**

#### **13.3.7 Financial assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

- 13.3.7.1 Market-quoted investments  
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- 13.3.7.2 Fixed interest securities  
Fixed interest securities are recorded at net market value.
- 13.3.7.3 Unquoted investments  
Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the investment manager.
- 13.3.7.4 Limited partnerships  
Fair value is based on the net asset value ascertained from periodic valuations by those controlling the partnership.

**13.3.7.5 Pooled investment vehicles**

Pooled investment vehicles are valued at closing bid price if available. If this is not available then these investments will be valued at the closing single price. In the case of accumulation funds, the change in market value will also include income which is reinvested in the Fund.

**13.3.8 Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market value of overseas investments and purchases and sales outstanding at the end of the reporting period.

**13.3.9 Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

The Fund has its own bank accounts which deal with the transactions of the Fund since 1 April 2011, in accordance with section 6 of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009.

Cash balances held by the Fund are invested on a short term basis on the London Money Market by Carmarthenshire County Council until it is required to meet its liabilities or to transfer surplus cash to the investment managers for reinvestment.

**13.3.10 Financial liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

**13.3.11 Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a reference in the accompanying actuarial report.

**13.3.12 Additional voluntary contributions (AVC)**

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual scheme members to determine how much they contribute (subject to HM Revenue & Customs limits) and the investment components or its mix.



AVC's are invested separately from the assets of the Fund and are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only – Note 13.18.

### **13.4 Critical judgements in applying accounting policies**

#### **13.4.1 Fund liability**

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 13.22. This estimate is subject to significant variances based on changes to the underlying assumptions.

#### **13.4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership**

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31 March 2016 was £33.3m (31 March 2015: £27.2m).

### 13.5 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £20.3m for 2015-16. However, the assumptions interact in complex ways. During 2015-16, the Authority's actuaries advised that the net pensions liability had decreased by £61.5m attributable to updating of the assumptions.
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Limited Partnership property investments are £33.3m. There is a risk that this investment may be under or overstated in the accounts.

### 13.6 Transfers in from other pension funds

2014-15 £'000		2015-16 £'000
1,317	Individual transfers in from other schemes	1,986
<u>1,317</u>		<u>1,986</u>

**13.7 Payments to and on account of Leavers**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
(126)	Refunds to members leaving service	(103)
(26)	Payments for members joining state scheme	(28)
(2,269)	Individual transfers to other schemes	(3,896)
<u><b>(2,421)</b></u>		<u><b>(4,027)</b></u>

**13.8 Management Expenses**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
(1,155)	Administrative costs	(1,213)
(3,544)	Investment management expenses (Note 13.13)	(3,966)
(157)	Oversight and governance costs	(126)
<u><b>(4,856)</b></u>		<u><b>(5,305)</b></u>

2015-16 Audit fees of £26,874 included within Oversight and governance costs. This amount includes £1,934 credit note in respect of 2013-14 audit. (2014-15 £24,006)

**13.9 Investment Income**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
764	Fixed interest securities	0
17,494	Equity dividends	18,819
5,177	Pooled property investments	6,253
580	Pooled investments - Unit trust and other manager funds	1,031
2,360	Property	1,707
13	Interest on cash deposits	(1)
(5)	Other	252
<u><b>26,383</b></u>		<u><b>28,061</b></u>

**13.10 Taxation**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
(33)	Withholding tax - equities	(32)
<u><b>(33)</b></u>		<u><b>(32)</b></u>

**13.11 Investments****13.11.1 Net investment assets**

Fair value 31/03/2015 £'000		Fair value 31/03/2016 £'000
	<b><u>Investment assets</u></b>	
	<b>Fixed interest securities</b>	
	UK Corporate Bonds	
185,611	- BlackRock	178,145
	Indexed Linked Securities	
185,896	- BlackRock	177,109
	<b>Equities</b>	
	UK Quoted Equities	
463,834	- BlackRock	450,678
	<b>Pooled Investments</b>	
	Overseas equities	
487,701	- BlackRock	479,667
	Global equities	
200,810	- Baillie Gifford	199,874
189,948	- Columbia Threadneedle	194,866
	<b>Pooled property investments</b>	
156,975	- Schroders	175,362
20,164	- Partners Group	27,001
	<b>Property</b>	
4,364	- Schroders	1,047
7,085	- Partners Group	6,334
	<b>Cash deposits</b>	
2,534	- BlackRock	736
240	- Schroders	979
	<b>Investment income due</b>	
2,974	- BlackRock	2,973
	<b>Tax reclaims due</b>	
299	- BlackRock	276
21	- Schroders	88
	<b>Amounts receivable for sales</b>	
16	- BlackRock	1,209
<u>1,908,472</u>	<b>Total investment assets</b>	<u>1,896,344</u>
	<b><u>Investment liabilities</u></b>	
	<b>Amounts payable for purchases</b>	
(16)	- BlackRock	(964)
<u>(16)</u>	<b>Total investment liabilities</b>	<u>(964)</u>
<u><u>1,908,456</u></u>	<b>Net investment assets</b>	<u><u>1,895,380</u></u>

**13.11.2 Reconciliation of movements in investments**

During the year, investments purchased totalled £156m whilst sales totalled £90m. The sales realised a net gain of £66m. Acquisition costs are included in the purchase price of the investment.

	Fair value 31/03/2015 £'000	Purchases at Cost £'000	Sales at Cost £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2016 £'000
Fixed interest securities	371,507	24,567	(33,544)	0	(7,276)	355,254
Equities	463,834	50,445	(27,173)	0	(36,428)	450,678
Pooled investments	878,458	45,195	(6,401)	0	(42,845)	874,407
Pooled property investments	177,139	35,385	(19,996)	0	9,835	202,363
Property	11,449	0	(3,073)	0	(995)	7,381
	<b>1,902,387</b>	<b>155,592</b>	<b>(90,187)</b>	<b>0</b>	<b>(77,709)</b>	<b>1,890,083</b>
<b>Other investment balances</b>						
Cash deposits	2,774	0	0	(1,059)	0	1,715
Amount receivable for sales investments	16	0	0	1,193	0	1,209
Investment income due	2,974	0	0	380	(381)	2,973
Tax reclaims due	321	0	0	43	0	364
Amounts payable for purchases investments	(16)	0	0	(948)	0	(964)
	<b>1,908,456</b>	<b>155,592</b>	<b>(90,187)</b>	<b>(391)</b>	<b>(78,090)</b>	<b>1,895,380</b>

	Fair value 31/03/2014 £'000	Purchases at Cost £'000	Sales at Cost £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2015 £'000
Fixed interest securities	323,051	43,709	(17,321)	0	22,068	371,507
Equities	651,730	66,008	(244,804)	0	(9,100)	463,834
Pooled investments	518,792	395,186	(110,746)	0	75,226	878,458
Pooled property investments	152,720	25,838	(17,170)	0	15,751	177,139
Property	12,671	0	(648)	0	(574)	11,449
	<b>1,658,964</b>	<b>530,741</b>	<b>(390,689)</b>	<b>0</b>	<b>103,371</b>	<b>1,902,387</b>
<b>Other investment balances</b>						
Cash deposits	4,623	0	0	(1,849)	0	2,774
Amount receivable for sales investments	541	0	0	(525)	0	16
Investment income due	3,402	0	0	(808)	380	2,974
Tax reclaims due	399	0	0	(78)	0	321
Amounts payable for purchases investments	(489)	0	0	473	0	(16)
	<b>1,667,440</b>	<b>530,741</b>	<b>(390,689)</b>	<b>(2,787)</b>	<b>103,751</b>	<b>1,908,456</b>

Transaction costs are included in the cost of purchase and sale proceeds. Identifiable transaction costs incurred during the year amounted to £0.71m (2014-15 restated: £0.65m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled vehicles. The amount of indirect costs is not separately provided to the scheme.

**13.11.3 Realised gains and losses**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
31,875	Fixed Interest Securities	11,441
23,607	Equities	1,336
65,472	Pooled Investments	32,948
1,189	Pooled property investments	4,971
(55)	Property	(722)
<u><b>122,088</b></u>		<u><b>49,974</b></u>

**13.11.4 Geographical analysis of investments**

<b>Fair</b>	<b>Geographical</b>	<b>Fair</b>
<b>value</b>	<b>analysis</b>	<b>value</b>
<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
1,052,607	UK	1,032,530
99,724	Europe (excl UK)	99,498
396,901	North America	407,341
81,563	Japan	78,408
95,570	Pacific Rim	89,054
182,091	Emerging Markets	188,549
<u><b>1,908,456</b></u>		<u><b>1,895,380</b></u>

**13.11.5 Fund manager analysis**

<b>Fair</b>	<b>Fund manager</b>	<b>Fair</b>
<b>value</b>	<b>analysis</b>	<b>value</b>
<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
1,328,850	BlackRock	1,289,830
161,600	Schroders	177,476
27,248	Partners Group	33,334
200,810	Baillie Gifford	199,874
189,948	Columbia Threadneedle	194,866
<u><b>1,908,456</b></u>		<u><b>1,895,380</b></u>

**13.12 Concentration of Investments**

The following investments represent more than 5% of the Fund's total net assets as at 31 March 2016:

	<b>Value as at 31/03/2016</b>	<b>Proportion of Investment Portfolio</b>
	<b>£'000</b>	<b>%</b>
Blackrock Ascent Life US Equity Fund	201,830	10.65
Baillie Gifford Global Alpha Fund	199,381	10.55
Threadneedle Global Equity Fund	194,866	10.28
Blackrock Active Selection Fund UK	178,145	9.34
Aquila Life over 5yr UK index linked	177,109	9.40
Blackrock active selection fund - Emerging Market Index Fund	100,694	5.31

**13.13 Investment Management Expenses**

<b>2014-15</b>		<b>2015-16</b>
<b>£'000</b>		<b>£'000</b>
<b>Restated</b>		
(3,387)	Management fees	(3,579)
(47)	Custody fees	(49)
(110)	Performance related fees	(338)
<u><b>(3,544)</b></u>		<u><b>(3,966)</b></u>

2014-15 Restated in accordance with CIPFA guidance

**13.14 Financial Instruments****13.14.1 Classification of financial instruments**

Accounting policies describe how different asset classes are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading.

2014-15				2015-16			
Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
<b>Financial assets</b>							
371,507	0	0	371,507	355,254	0	0	355,254
463,834	0	0	463,834	450,678	0	0	450,678
878,459	0	0	878,459	874,407	0	0	874,407
Pooled property							
177,139	0	0	177,139	202,363	0	0	202,363
11,449	0	0	11,449	7,381	0	0	7,381
0	6,360	0	6,360	0	4,041	0	4,041
Other investment							
3,310	0	0	3,310	4,530	0	0	4,530
0	6,340	0	6,340	0	6,901	0	6,901
<b>1,905,698</b>	<b>12,700</b>	<b>0</b>	<b>1,918,398</b>	<b>1,894,613</b>	<b>10,942</b>	<b>0</b>	<b>1,905,555</b>
<b>Financial liabilities</b>							
Other investment							
(16)	0	0	(16)	(948)	0	0	(948)
0	0	(4,761)	(4,761)	0	0	(4,198)	(4,198)
<b>(16)</b>	<b>0</b>	<b>(4,761)</b>	<b>(4,777)</b>	<b>(948)</b>	<b>0</b>	<b>(4,198)</b>	<b>(5,146)</b>
<b>1,905,682</b>	<b>12,700</b>	<b>(4,761)</b>	<b>1,913,621</b>	<b>1,893,665</b>	<b>10,942</b>	<b>(4,198)</b>	<b>1,900,409</b>



13.14.2 **Net gains and losses on financial instruments**

<b>2014-15</b>	<b>2015-16</b>
<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>	
225,840	Fair value through profit and loss
<b>225,840</b>	<b>Total Financial assets</b>
<b>0</b>	<b>Total Financial liabilities</b>
<b>225,840</b>	<b>Total</b>

13.14.3 **Fair value of financial instruments and liabilities**

The following table summarises the carrying value of the financial assets and financial liabilities by class of instrument compared with their fair values:

<b>Carrying value</b>	<b>Fair value</b>		<b>Carrying value</b>	<b>Fair value</b>
<b>31/03/15</b>	<b>31/03/15</b>		<b>31/03/16</b>	<b>31/03/16</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>				
1,413,591	1,905,698	Fair value through profit and loss	1,480,598	1,894,613
12,700	12,700	Loans and receivables	10,942	10,942
<b>1,426,291</b>	<b>1,918,398</b>	<b>Total financial assets</b>	<b>1,491,540</b>	<b>1,905,555</b>
<b>Financial liabilities</b>				
(16)	(16)	Fair value through profit and loss	(948)	(948)
(4,761)	(4,761)	Financial liabilities at amortised cost	(4,198)	(4,198)
<b>(4,777)</b>	<b>(4,777)</b>	<b>Total financial liabilities</b>	<b>(5,146)</b>	<b>(5,146)</b>
<b>1,421,514</b>	<b>1,913,621</b>	<b>Total</b>	<b>1,486,394</b>	<b>1,900,409</b>

#### 13.14.4 **Valuation of financial instruments carried at fair value**

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

##### Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and certain unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

##### Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

##### Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include limited partnerships, where fair value is ascertained from periodic valuations provided by those controlling the partnership. Assurance over the valuation is gained from the independent audit of the partnership.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the value at which the fair value is observable.

Fair values at 31 March 2016	Quoted market	Using	With significant	Total
	price	observable	unobservable	
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	811,788	1,049,491	33,334	1,894,613
Loans and receivables	10,942	0	0	10,942
<b>Total financial assets</b>	<b>822,730</b>	<b>1,049,491</b>	<b>33,334</b>	<b>1,905,555</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	(948)	0	0	(948)
Financial liabilities at amortised cost	(4,198)	0	0	(4,198)
<b>Total financial liabilities</b>	<b>(5,146)</b>	<b>0</b>	<b>0</b>	<b>(5,146)</b>
<b>Net financial assets</b>	<b>817,584</b>	<b>1,049,491</b>	<b>33,334</b>	<b>1,900,409</b>

Fair values at 31 March 2015	Quoted market	Using	With significant	Total
	price	observable	unobservable	
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	843,579	1,034,870	27,249	1,905,698
Loans and receivables	12,700	0	0	12,700
<b>Total financial assets</b>	<b>856,279</b>	<b>1,034,870</b>	<b>27,249</b>	<b>1,918,398</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	(16)	0	0	(16)
Financial liabilities at amortised cost	(4,761)	0	0	(4,761)
<b>Total financial liabilities</b>	<b>(4,777)</b>	<b>0</b>	<b>0</b>	<b>(4,777)</b>
<b>Net financial assets</b>	<b>851,502</b>	<b>1,034,870</b>	<b>27,249</b>	<b>1,913,621</b>

## **13.15 Nature and extent of risks arising from financial instruments**

### **13.15.1 Risk and risk management**

The Fund has developed a formal risk assessment process and maintains a formal risk register. This ensures that risks are identified appropriately and are assessed and managed effectively. For more details, and to view the Risk Register, please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk).

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Panel. Risk management policies are established to identify and analyse the risks faced by the Authority's pensions operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

### **13.15.2 Market risk**

Market risk is the risk of loss from fluctuations in equity prices and, interest and foreign exchange rates. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Panel and its independent adviser undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.
- by investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing.

### **13.15.3 Other price risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Panel to ensure it is within limits specified in the Fund's investment strategy.

#### 13.15.4 Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on funds' asset allocations. The potential volatilities shown below, are consistent with a one standard deviation movement in the change in value of the assets over the latest three years:

<b>Asset Type</b>	<b>Potential market movements (+/-)</b>
Cash	0.01%
UK Equities	10.66%
Overseas Equities	10.25%
Global Pooled Equities inc UK	10.08%
UK Corporate Bonds	6.23%
Index Linked Securities	9.45%
Property	1.96%

Had the market price of the Fund increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

<b>Asset Type</b>	<b>Value as at</b>		<b>Value on Increase</b>	<b>Value on Decrease</b>
	<b>31 March 2016</b>	<b>Change</b>		
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Cash	1,715	0.01%	1,715	1,714
UK Equities	450,678	10.66%	498,720	402,636
*Overseas Equities	479,667	10.25%	528,833	430,501
*Global Pooled Equities incl UK	394,740	10.08%	434,530	354,950
UK Corporate Bonds	178,145	6.23%	189,243	167,046
Index Linked Gilts	177,109	9.45%	193,846	160,373
Property	209,744	1.96%	213,855	205,633
Sales receivable	1,209	0.00%	1,209	1,209
Purchases payable	(964)	0.00%	(964)	(964)
Income receivables	3,337	0.00%	3,337	3,337
<b>Total Assets</b>	<b>1,895,380</b>		<b>2,064,324</b>	<b>1,726,435</b>

Asset Type	Value as at	Change	Value on	Value on
	31 March		Increase	Decrease
	2015	%	£'000	£'000
	(Restated)		(Restated)	(Restated)
Cash	2,774	0.02%	2,775	2,774
UK Equities	463,833	10.35%	511,840	415,826
*Overseas Equities	487,702	9.50%	534,032	441,367
*Global Pooled Equities inc Uk	390,758	9.50%	427,880	353,638
UK Corporate Bonds	185,611	6.10%	196,933	174,289
Index Linked Gilts	185,896	9.66%	203,853	167,938
Property	188,587	2.30%	192,925	184,250
Sales receivable	16	0.00%	16	16
Purchases payable	(16)	0.00%	(16)	(16)
Income receivables	3,295	0.00%	3,295	3,295
<b>Total Assets</b>	<b>1,908,456</b>		<b>2,073,533</b>	<b>1,743,377</b>

\* Restated to separately identify the Global Equities market movement percentages

#### 13.15.5 Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Panel in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates against the relevant benchmarks.

The actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/15	Asset type	31/03/16
£'000		£'000
2,774	Cash and cash equivalents	1,715
3,586	Cash held at CCC	2,326
371,507	Fixed interest securities	355,254
<b>377,867</b>	<b>Total</b>	<b>359,295</b>

**13.15.6 Interest rate risk sensitivity analysis**

Interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Value as at 31/03/16 £'000	Change in year in the net assets available to pay	
		+1% £'000	-1% £'000
Cash and cash equivalents	1,715	17	(17)
Cash held at CCC	2,326	23	(23)
Fixed interest securities	355,254	3,553	(3,553)
<b>Total change in available assets</b>	<b>359,295</b>	<b>3,593</b>	<b>(3,593)</b>

Asset type	Value as at 31/03/15 £'000	Change in year in the net assets available to pay	
		+1% £'000	-1% £'000
Cash and cash equivalents	2,774	28	(28)
Cash held at CCC	3,586	36	(36)
Fixed interest securities	371,507	3,715	(3,715)
<b>Total change in available assets</b>	<b>377,867</b>	<b>3,779</b>	<b>(3,779)</b>

**13.15.7 Discount Rate**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

**13.15.8 Currency risk**

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£ GBP Sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than £ GBP Sterling.

The Fund's currency rate risk is routinely monitored by the Panel in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2016 and as at 31 March 2015:

Fair value 31/03/15 £'000	Asset type	Fair value 31/03/16 £'000
827,540	Overseas Equities	833,807
28,208	Property	29,011
100	Cash	32
<b>855,848</b>	<b>Total overseas assets</b>	<b>862,850</b>

### 13.15.9 Currency risk sensitivity analysis

The aggregate currency exposure within the Fund as at 31 March 2016 was 6.23%. (2014-15: 6.04%)

This analysis assumes that all other variables, in particular interest rates, remain constant.

An 6.23% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay Benefits as follows:

Asset type	Fair value 31/03/16 £'000	Change in year in the net assets available to pay benefits	
		+6.23% £'000	-6.23% £'000
Overseas equities	833,807	885,753	781,861
Property	29,011	30,818	27,204
Cash	32	34	30
<b>Total change in available assets</b>	<b>862,850</b>	<b>916,605</b>	<b>809,095</b>

Asset type	Fair value 31/03/15 £'000	Change in year in the net assets available to pay benefits	
		+6.04% £'000	-6.04% £'000
Overseas equities	827,540	877,524	777,556
Property	28,208	29,911	26,504
Cash	100	106	94
<b>Total change in available assets</b>	<b>855,848</b>	<b>907,541</b>	<b>804,154</b>



### 13.15.10 **Credit risk**

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so Carmarthenshire County Council monitors membership movements on an annual basis.

New employers to the Fund have to agree to the provision of a bond to prevent the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. Carmarthenshire County Council currently guarantees to meet any future liabilities falling on the Fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

No collateral is held as security on financial assets. Carmarthenshire County Council does not generally allow credit to employers.

All investments held by investment managers are held in the name of the Dyfed Pension Fund so if the investment manager fails the Fund's investments are not classed amongst the manager's assets.

Any cash held is in the Carmarthenshire County Council accounts and is invested in line with Carmarthenshire County Council's approved credit rated counterparty list.

### 13.15.11 **Liquidity risk**

This refers to the possibility that the Fund might not have sufficient Funds available to meet its commitments to make payments.

Carmarthenshire County Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed.

The amount held in the Fund's bank accounts meet the normal liquidity needs of the Fund and any surplus cash is invested. The Fund's actuaries establish what contributions should be paid in order that all future liabilities can be met.

The investments of the Fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss.

**13.16 Current assets**

<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
	Contributions due from employer	
3,906	- Employer	4,956
1,457	- Employee	1,432
3,586	Cash Balances	2,326
977	Debtors	513
<u>9,926</u>		<u>9,227</u>

**13.16.1 Analysis of Current assets**

<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
0	HMRC	2
8,302	Other local authorities	8,016
1	NHS bodies	1
1	Public corporations and trading funds	1
1,622	Other entities and individuals	1,207
<u>9,926</u>		<u>9,227</u>

**13.17 Current liabilities**

<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
(3,273)	Unpaid benefits	(2,206)
<u>(1,488)</u>	Creditors	<u>(1,992)</u>
<u>(4,761)</u>		<u>(4,198)</u>

**13.17.1 Analysis of Current liabilities**

<b>31/03/15</b>		<b>31/03/16</b>
<b>£'000</b>		<b>£'000</b>
<b>(Restated)</b>		
(572)	HMRC	(586)
(258)	Other local authorities	(454)
(630)	Public corporations and trading funds	(670)
<u>(3,301)</u>	Other entities and individuals	<u>(2,488)</u>
<u>(4,761)</u>		<u>(4,198)</u>

For 31 March 2015 £258k included in Other local authorities was previously classified as Central government bodies.

**13.18 Additional Voluntary Contributions (AVC)**

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual Scheme members to determine how much they contribute (subject to HMRC limits) and the investment components or its mix.

The contributions made to separately invested AVC schemes and the value, as at the balance sheet date, of these investments are shown below:

<b>AVC Provider</b>	<b>Value as at 31/03/15 £ '000</b>	<b>Contributions £ '000</b>	<b>Expenditure £ '000</b>	<b>Change in Market Value £ '000</b>	<b>Value as at 31/03/16 £ '000</b>
Prudential	2,660	878	(694)	14	2,858
Equitable Life	671	26	(112)	0	585
Standard Life	3,435	559	(567)	8	3,435
<b>Total</b>	<b>6,766</b>	<b>1,463</b>	<b>(1,373)</b>	<b>22</b>	<b>6,878</b>

**13.19 Funding arrangements**

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation is due as at 31 March 2016.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk) and the Annual Report and Accounts 2015-16.

**13.20 Related Party Transactions**

The Fund is administered by Carmarthenshire County Council (the Authority), consequently there is a strong relationship between the Authority and the Fund.

The Authority incurred costs of £0.889 million (2014-15: £0.843 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £31.102 million to the Fund in 2015-16 (2014-15: £31.308 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2016, the Fund had an average investment balance of £4.73 million (2014-2015: £5.62 million) earning interest of £26,180 (2014-15: £32,317).

**13.20.1 Governance****Pension Panel**

There are three members and one substitute member of the Pension Panel. During 2015-16 these were Councillor Wyn Evans, Councillor Siân Thomas (active member), Councillor Terry Davies (active member) and the substitute was Councillor Philip Hughes (active member).

The Director of Corporate Services, Mr Chris Moore, who has the role of Section 151 Officer for the Authority, played a key role in the financial management of the Fund and is also an active member of the Fund.

The Panel members, and the Senior Officers that advise the Panel, are required to declare their interest at each meeting.

The Panel members and Director of Corporate Services accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

**Pension Board**

A local Pension Board was approved by County Council on the 11<sup>th</sup> February 2015 effective from 1<sup>st</sup> April 2015 in line with the Public Service Pension Act 2013. It consists of three employer representatives, three member representatives and an independent chair.

For more details, and to view the Governance Policy, please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk) and the Annual Report and Accounts 2015-16.

**13.21 Employing bodies contribution rates, contributions receivable and benefits payable**

Contri- bution rate %	2014-15				2015-16			
	Contri- bution £'000 (Restated)	Contri- butions £'000 (Restated)	Benefits payable £'000		Contri- bution rate %	Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
<b>Scheduled bodies</b>								
12.9	4,106	27,203	29,970	Carmarthenshire County Council	12.9	4,690	26,459	31,650
13.5	1,063	13,812	14,502	Pembrokeshire County Council	13.5	1,107	13,776	14,600
13.6	702	10,131	10,084	Ceredigion County Council	13.6	730	10,008	10,792
				Office for the Police & Crime				
11.6	374	3,484	2,306	Commissioner for Dyfed-Powys	11.6	389	3,455	2,048
13.5	123	1,378	1,063	Mid & West Wales Fire Authority	13.5	133	1,167	930
14.7	0	253	202	Coleg Ceredigion	15.2	(1)	275	224
13.7	0	1,247	818	Coleg Sir Gar	14.3	139	1,244	1,046
				Pembrokeshire Coast National				
13.6	0	593	825	Park Authority	15.1	(24)	592	681
13.2	0	908	250	Pembrokeshire College	12.8	55	851	258
	6,368	59,009	60,020			7,218	57,827	62,229
<b>Designated (Resolution) bodies</b>								
24.7	0	7	5	Aberystwyth Town Council	20.0	2	3	53
9.9	0	1	0	Aberaeron Town Council	12.6	0	1	0
18.1	0	62	66	Carmarthen Town Council	18.6	13	71	123
14.2	0	4	0	Cwmamman Town Council	18.7	0	6	0
22.6	0	4	1	Gorslas Community Council	27.7	1	5	5
24.4	0	9	30	Haverfordwest Town Council	24.4	0	9	30
30.5	0	9	14	Kidwelly Town Council	27.6	7	9	14
21.9	0	2	1	Llanbadarn Fawr Community	17.3	0	2	1
17.5	0	1	1	Llanarthney Community Council	21.2	0	1	1
14.9	0	175	168	Llanelli Rural Council	14.6	11	196	136
15.3	0	46	74	Llanelli Town Council	17.8	8	52	74
12.7	0	6	0	Llangennech Community Council	12.8	0	6	0
17.1	0	17	6	Llannon Community Council	18.2	4	21	7
19.9	0	22	7	Pembrey & Burry Port Town	23.5	3	25	7
9.3	0	5	13	Tenby Town Council	13.0	(1)	6	12
12.0	0	8	0	Pembroke Town Council	12.0	0	9	3
8.5	0	7	0	Pembroke Dock Town Council	8.5	0	7	0
0.0	0	0	0	Pontyberem Community Council	24.9	0	3	0
	0	385	386			48	432	466

(continued overleaf)

2014-15				2015-16				
Contri- bution rate %	Deficit			Contri- bution rate %	Deficit			
	Contri- bution £'000 (Restated)	Contri- butions £'000 (Restated)	Benefits payable £'000		Contri- bution £'000	Contri- butions £'000	Benefits payable £'000	
<b>Admission bodies</b>								
<b>Community Admission Body (CAB)</b>								
0.0	0	2	0	Cardigan Swimming Pool	26.1	(12)	1	26
15.7	0	50	16	Ceredigion Association of	13.2	13	31	17
14.2	0	1,055	1,033	Careers Wales	13.3	40	937	892
11.9	0	52	32	Carmarthenshire Association of Voluntary Services	11.7	6	38	38
11.8	0	8	0	Young Farmers Clubs	26.5	(5)	11	0
14.5	0	33	7	laith Cyf	17.9	0	34	84
44.2	0	5	15	Leonard Cheshire Disability	20.0	5	3	16
22.1	0	37	21	Llanelli Burial Board	18.1	5	32	37
6.2	0	54	0	Menter Bro Dinefwr	7.8	3	60	0
11.9	0	35	27	Menter Cwm Gwendraeth	11.5	15	35	28
5.6	0	13	0	Menter Gorllewin Sir Gar	7.4	0	15	0
16.5	0	8	0	Menter laith Castell-Nedd Port Talbot	23.7	1	12	40
18.6	0	10	2	Narberth & District Community & Sports Association	16.0	1	10	2
13.0	0	104	91	Pembrokeshire Association of Voluntary Services	14.5	4	60	33
11.6	0	90	47	PLANED	12.6	7	57	40
13.2	0	90	32	PRISM	13.4	0	1	26
11.3	0	281	141	Tai Ceredigion	14.2	(41)	301	179
17.5	0	622	494	University of Wales-Trinity St David	16.5	101	582	529
46.8	0	29	236	Aberystwyth University	22.5	74	10	189
14.4	0	216	339	Welsh Books Council	15.1	22	254	374
16.6	0	30	39	West Wales Action for Mental Health	13.8	6	32	40
16.9	0	57	86	Valuation Tribunal Wales	17.8	1	56	44
0.0	0	0	0	Swim Narbeth	13.5	0	3	0
	0	2,881	2,658			246	2,575	2,634
<b>Transferee Admission Body (TAB)</b>								
12.5	0	0	3	Garnant Golf Club Ltd	14.9	0	0	0
17.8	0	41	54	Grwp Gwalia	19.3	(4)	87	70
21.5	0	21	0	Danfo	21.5	0	25	45
20.3	0	96	37	Human Support Group (HSG)	20.3	0	219	93
	0	158	94			(4)	331	208

(continued overleaf)

2014-15				2015-16				
Contri- bution rate %	Deficit		Benefits payable £'000	Contri- bution rate %	Deficit		Benefits payable £'000	
	Contri- bution £'000	Contri- butions £'000			Contri- bution £'000	Contri- butions £'000		
	(Restated)	(Restated)						
<b>Bodies with no pensionable employees</b>								
0.0	0	6	7	DVLA	0.0	0	6	7
0.0	0	52	344	Dyfed Powys Magistrates Courts	0.0	0	51	352
0.0	0	0	5	Carmarthen Family Centre	0.0	0	1	6
0.0	0	0	2	Milford Haven Town Council	0.0	0	1	5
0.0	0	0	2	Mencap	0.0	0	0	2
0.0	0	0	8,918	Dyfed County Council	0.0	0	0	8,615
0.0	0	0	2	Dyfed AVS	0.0	0	0	2
0.0	0	10	11	NHS	0.0	0	8	8
0.0	0	13	42	Welsh Water	0.0	0	13	42
0.0	0	0	8	Cwm Environmental	0.0	0	0	7
0.0	0	0	5	Cartrefi Cymru	0.0	0	0	5
0.0	0	1	1	Rent Officer Service	0.0	0	1	1
	0	82	9,347			0	81	9,052
	<b>6,368</b>	<b>62,515</b>	<b>72,505</b>	<b>Total</b>		<b>7,508</b>	<b>61,246</b>	<b>74,589</b>

For 2014-15, an amount of £262k was included in Deficit Contributions in error. Also, amounts reported in Deficit Contributions were also included in the Contributions figures. The total Deficit Contributions for 2014-15 have therefore been restated from £6,630k to £6,368k and the Contributions total from £68,882k to £62,515k to correct this.

### 13.21.1 Bodies with No Pensionable Employees

It has been assumed that for the following bodies, the proportion of pension increases stated below will continue to be recharged.

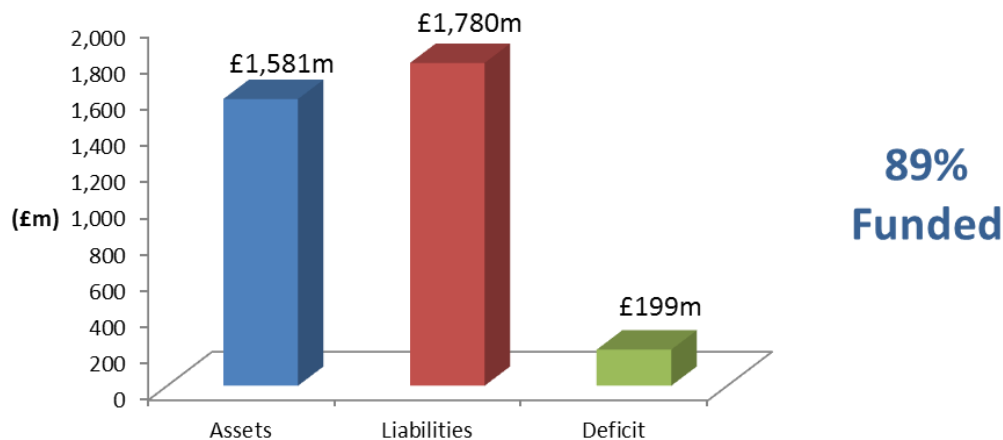
	<b>Proportion to be recharged %</b>
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Welsh Water	50

### 13.22 Actuarial Statement

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,581 million represented 89% of the Fund's past service liabilities of £1,780 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £199 million.



The valuation also showed that a common rate of contribution of 12.9% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 94% with a resulting deficit of £103 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £7 million per annum increasing at 4.1% per annum (equivalent to approximately 2.7% of projected Pensionable Pay at the valuation date) for 17 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:



	<b>For past service liabilities (Funding Target)</b>	<b>For future service liabilities (Common Contribution Rate)</b>
Rate of return on investments (discount rate)	4.8% per annum	5.6% per annum
Rate of pay increases (long term)	4.1% per annum*	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

\* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

### **Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26**

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2016 (the 31 March 2015 assumptions are included for comparison):

	<b>31 March 2015</b>	<b>31 March 2016</b>
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases	3.5% per annum *	3.5% per annum *
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% per annum

\* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

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The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £2,360 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£118 million. Adding interest over the year increases the liabilities by c£78 million. The net effect of allowing for benefits accrued/paid over the period increases the liabilities by a further c£17million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £2,337 million.

***John Livesey***

***Fellow of the Institute and Faculty of Actuaries***

***Mercer Limited***

**June 2016**

### **13.23 Events after the balance sheet date**

There have been no events since 31st March 2016, and up to the date when these accounts were authorised that require any adjustments to these accounts.

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## 14 GLOSSARY OF TERMS

The following section attempts to explain the meaning of some of those technical terms that are used in the Statements. The section is split into General and those terms relating to the Pension Fund Accounts.

### **General**

#### ***Accrual***

An accrual is a sum shown in our accounts to cover income or expenditure for the accounting period that was not paid at the date of the balance sheet.

#### ***Assets Held for Sale***

These are assets which are no longer being used to provide a service and are being actively marketed with the likelihood of sale being highly probable within 1 year.

#### ***Audit***

An audit is an independent examination of our activities.

#### ***Balance***

The surplus or deficit on any account at any point in time.

#### ***Balance Sheet***

This is a statement of our assets, liabilities and other balances at the end of the financial year.

#### ***Bid Price***

The price that a third party would pay the scheme in an arm's length transaction for the investment.

#### ***Billing Authority***

A local authority responsible for collecting the council tax and non-domestic rates.

#### ***Budget***

A budget is a spending plan, usually for the following financial year.

#### ***Capital Expenditure***

Capital expenditure is spending on non-current assets such as Property, Plant and Equipment, Investment Properties and Heritage Assets. This would include the purchase or construction of new assets, together with subsequent expenditure on major maintenance or development work.

#### ***Capital Receipt***

These are the sales proceeds from the disposal of land and buildings which are restricted in their use by statute. They can only be used to fund new capital expenditure or set aside to finance historic capital expenditure.

#### ***Council Fund***

The main revenue fund of the local authority. Day to day spending on services is met from this fund.

#### ***Council Tax***

The main source of local taxation to local authorities. Council tax is levied on households within its area by the Billing Authority and the proceeds are used to meet the Billing Authority's council tax requirement and to pay the precepting authorities.

**Creditor**

A creditor is someone to whom money is owed at the end of the financial year for work done, goods received or services rendered.

**Current Assets**

These are short-term assets that are available for us to use in the following accounting year.

**Current Liabilities**

These are short-term liabilities that are due for payment by us in the following accounting year.

**Debtor**

A debtor is someone who owes money to us at end of the financial year.

**Depreciation**

Depreciation is a method of allocating the cost of Property Plant and Equipment assets over their useful lives.

**Direct Revenue Financing**

Resources provided from an authority's revenue budget to finance the cost of capital projects.

**Earmarked Reserves**

These are reserves that have been set aside for a specific purpose.

**Fees And Charges**

Income raised by charging users of services for the facilities, e.g. charges for the use of leisure facilities, car parking, the collection of trade refuse etc.

**Financial Year**

This is the accounting period. For local authorities it starts on 1 April and finishes on 31 March in the following year.

**Finance Leases**

A means by which capital items are bought. (When we use finance leases we take on most of the risks (and rewards) of owning the assets.)

**Gross Expenditure**

The total cost of providing the council's services before taking into account income, such as fees and charges for services etc.

**Heritage Assets**

Heritage Assets are defined as those that are held and maintained principally for their contribution to knowledge and culture.

**Housing Benefit**

An allowance to persons on low income (or none) to meet in whole or part their rent. Benefit is allowed or paid by local authorities but central government refunds part of the costs of the benefits and of the running costs of the service to local authorities. Benefit paid to the Authority's own tenants is known as 'rent rebate' and that paid to private sector tenants as 'rent allowance'.

**Housing Revenue Account (HRA)**

This account contains all our housing income and expenditure.

**IFRS**

International Financial Reporting Standard.

**IFRIC**

International Financial Reporting Interpretations Committee.

The above two are accounting standards which provide a guideline for financial accounting.

**Investment Properties**

These are properties that are being held solely to earn rentals or for capital appreciation or both, rather than for the provision of services

**Liability**

A liability is an amount due and payable at some time in the future.

**Minimum Revenue Provision (MRP)**

This is the amount we have to set aside to repay loans.

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

The NNDR, or Business Rate, is the charge occupiers of business premises pay to finance part of local Authority spending. The NNDR is set by Government and is a percentage of the rateable values. The percentage is the same throughout Wales. The total collected is split among individual authorities in proportion to their adult populations.

**Net Realisable Value**

The selling price of the asset reduced by the relevant costs of selling it.

**Operating Leases**

A means by which capital items are bought.

These are leases where risks (and rewards) of ownership of the asset remain with the owner.

**Pensions Assets/Liabilities (Notes to the Movement in Net Pension Liabilities)**

**The Current Service Costs - the value of the increase in liabilities for active members as a result of their** service increasing by one year (i.e. from the start of the year to the end of the year), less any employee contributions.

**Employer Contributions** - The employer contributions are the amounts actually paid by the employer during the year. They include any amounts paid in respect of early retirement strains and any recharges in respect of compulsory added years benefits.

**Past Service Costs** - Past service costs arise when the employer makes a commitment to provide a higher level of benefit than previously promised, for example the creation of a pension benefit for a spouse where such a benefit did not previously exist or a grant of early retirement with added-on years of service.

**Interest Costs** - The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period. Another way of viewing the "interest on liabilities" is the unwinding of 1 year's discounting in relation to the liabilities.

**Interest on Pension Assets** – This is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.

**Remeasurements (assets)** – This is the return on plan assets net of administration expenses and interest income. It replaces actuarial gains and losses on assets. For the LGPS, any change as a result of reviewing an employer's allocation of assets as at an actuarial valuation will also be included within remeasurements.

**Remeasurements (liabilities)** – Remeasurements (liabilities) can be sub-divided into ‘Changes in actuarial assumptions’ and ‘Experience (gains) losses on liabilities’. ‘Changes in actuarial assumptions’ is not shown as its own separate entry but instead the changes in demographic and financial assumptions are shown separately.

**Gains or Losses on Settlements or Curtailment** - Where under the scheme rules the employees have the option to retire early or transfer out of the scheme, the resulting settlements and curtailments are allowed for in the normal demographic assumptions made by the actuary and any gains and losses arising are actuarial gains and losses. Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the employer becomes demonstrably committed to the transaction and recognised in the profit and loss account covering that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in the profit and loss account covering that date.

### **Pension Fund**

The fund maintained to meet pension payments on the retirement of participants.

### **Precepting Authorities**

Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rates. For Carmarthenshire County Council the precepting authorities are Dyfed Powys Police and the Town & Community Councils.

### **Precepts**

This is the amount that we levy/pay to a Non-Billing Authority (for example a Community Council) so that it can cover its expenses (after allowing for its income).

### **Property, Plant and Equipment**

These are assets with a physical substance that are held for use in the production or supply of goods and services, for rental to others (as part of a service) or for administrative purposes. Any asset included in this category is expected to be used for more than one financial year.

### **Provision**

Provisions are amounts set aside for liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

### **Prudential Code**

The Prudential Code is a professional code of practice to support local authorities in making capital investment decisions.

### **Public Works Loan Board (PWLB)**

This is a Government agency that provides longer-term loans to local authorities. It charges interest rates only slightly higher than those at which the Government itself can borrow.

### **Reserve**

Reserves are amounts set aside that do not fall within the definition of provisions and include general reserves (or ‘balances’) which every Authority must maintain as a matter of prudence.

### **Revenue Account**

This is an account that records our day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

### **Revenue Support Grant**

The main grant paid by Welsh Government to support the local authority budget.

**Securities**

These are investments such as stocks, shares and bonds.

**SeRCoP**

Service Reporting Code of Practice - establishes proper practices with regard to consistent financial reporting for services – all local authorities in the United Kingdom are expected to adopt its mandatory requirements and detailed recommendations. It is also expected that CIPFA members will comply with all the discretionary requirements of SeRCoP as it defines best practice in terms of financial reporting.

**Inventories**

Inventories are raw materials purchased for day-to-day use. The value of those items not used at the end of the financial year is shown within current assets in the balance sheet.

**Subjective Analysis**

An analysis of income and expenditure according to type. Such expenditure headings include employee, premises and transport expenses. Income includes government grants and fees and charges.

**Variance**

The difference between actual expenditure and budget - expressed in cash or percentage terms.

**Wales Audit Office**

An independent body lead by the Auditor General for Wales who is responsible for the appointment of external auditors to local authorities.

**Pension Fund****Active Management**

A style of Investment Management which seeks to provide out performance of a relevant Benchmark through either Asset Allocation, Market Timing or Stock Selection (or a combination of these). Directly contrasted with Passive Management.

**Actuary**

An independent consultant who advises on the viability of the Fund. Every three years the actuary reviews the assets and liabilities of the Fund and reports to the County Council as administering Authority on the financial position and the recommended employers contribution rates. This is known as the actuarial valuation.

**Asset Class**

A specific area/type of Investment e.g. UK Equities, overseas Equities, Fixed Income, Property, Cash.

**Benchmark Return**

The aim of the Fund Manager is to outperform the Benchmark return by 1%. The benchmark return is the return that would be achieved if the Fund Manager had not deviated from the weightings of each asset class given to them by the Investment Panel, and had achieved returns in each of these asset classes consistent with the average return of all Local Authority Funds for that class. The Benchmark weightings of asset classes is outlined within the Statement of Investment Principles.

**Corporate Governance**

Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management.

**Deficit Funding**

Contributions payable for example, for a limited period or as a single payment, to improve the funding of a defined benefit scheme, often arising from a scheme funding recovery plan.

**Equities**

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

**Fixed Interest Securities**

Investments in mainly government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date but which can be traded on the Stock Exchange in the meantime.

**Fund Manager**

A person or company to whom the Investment of the whole or part of the assets of a fund is delegated by the Trustees.

**Investment**

An asset acquired for the purpose of producing income and Capital Gain for its owner.

**Investment Adviser**

A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial Investment advice to companies, pension funds or individuals, for a stated fee.

**Market Indicators**

- (i) The movement in Stock market are monitored continuously by means of an Index made up of the current prices of a representative sample of stock.
- (ii) Change in the rates at which currencies can be exchanged.

**Market Value**

The price at which an investment can be sold at a given date.

**Out performance/Under performance**

The difference in Returns gained by a particular fund against an "Average" Fund or an Index over a specified time period i.e. a Target for a fund may be out performance of a Benchmark over a 3-year period.

**Passive Management (also called Indexation/Index Tracking)**

A style of Investment Management which aims to construct a Portfolio in such a way as to provide the same Return as that of a chosen Index i.e. Stocks are purchased to be as representative as possible of the make-up of the Index. Contrasts with Active Management.

**Performance**

A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period - either in absolute terms or as measured against the "Average" Fund or a particular Benchmark.



**Performance Measurement**

A service designed to help investors evaluate the performance of their investments. This usually involves the comparison of a fund's performance with a selected Benchmark and/or with a Universe of similar funds. The main Performance Measurement Companies are The WM Company, which the Dyfed Pension Fund uses, and CAPS.

**Portfolio**

A collective term for all the investments held in a fund, market or sector.

**Preserved Benefits**

The pension benefits payable from normal retirement age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the Pension scheme before normal retirement age.

**Return**

The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

**Risk**

Generally taken to mean the Variability of Returns. Investments with greater risk must usually promise higher returns than more "stable" investments before investors will buy them.

**Transfer Value**

Payments made between funds when contributors leave service with one employer and decide to take the value of their contributions to their new fund.

**Unit Trusts**

These are investment companies that accept money from many different investors. The money is pooled and used to buy investments.

**Unrealised Increase/(Decrease) In Market Value**

The increase/(decrease) in market value, since the purchase date, of those investments held at the year end.