



Cyngor Sir  
**CEREDIGION**  
County Council

**STATEMENT  
OF  
ACCOUNTS**

for the year ending  
31st March 2018  
Audited



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## **NARRATIVE REPORT**

### ***About Ceredigion County Council***

The County of Ceredigion covers an area of 696 square miles of breathtaking scenery, dramatic coastline and vibrant communities. The County is geographically one of the largest in Wales and has a population figure of 78,100 scattered around the County with the main towns being Aberystwyth, Cardigan, Lampeter, Llandysul, Aberaeron and Tregaron.

The County is seen to be one of the fastest growing in Wales with an increase in population of 15% since 1981 compared with the average growth in Wales of 4%. Ceredigion caters for many industries namely agriculture, tourism, food manufacturing companies, retail, scientific research and many other indigenous businesses scattered around the County. Education plays a big role within Ceredigion, with two Universities, a Further Education College, 3 secondary schools, 3 middle schools and many Primary schools dotted around the County.

Ceredigion County Council is a unitary authority formed on 1 April 1996 and is responsible for a wide range of services and activities. The Council has adopted the "Cabinet" system of administration. The Cabinet normally meets at the Council's offices in Aberaeron every three weeks, and carries out the Executive functions for the Authority. Ceredigion County Council employs around 4,000 members of staff who deliver the services on a day-to-day basis. The Council's main offices are located at Aberaeron and Aberystwyth and there are also satellite offices located in Cardigan and Lampeter.

### ***The Council's vision:***

***"It is the vision of Ceredigion County Council that we will aim to deliver value for money sustainable bilingual public services that support a strong economy and healthy environment while promoting well-being of our people and our communities."***

## Priorities and Objectives

The five Strategic Objectives for 2017/2018 were:

1. The Council is an organisation that is fit-for-purpose to deliver improving services to meet the needs of our citizens
2. Conditions and opportunities in Ceredigion allow the economy and local business to develop and prosper
3. Aberystwyth will be developed as a recognised regional and national centre.
4. The Council achieves the best learning outcomes and provides excellent education and training tailored to meet the needs of those seeking career opportunities in the County
5. The Council will provide services that contribute to a healthy environment, healthier lives and protect those who are vulnerable in the County

The Council's five **Well-being and Improvement Objectives** for 2017-18 were identified with a view of making an impact on international, national, regional and local priorities. They have taken into account the draft Public Services Board's Assessment of Local Well-being, which undertook an in-depth engagement with citizens and various groups across the county, together with the Council's Corporate Strategy and priorities for improvement. In 2018/19 these objectives will be incorporated into the new Well-being and Improvement objectives designed to deliver the Corporate Priorities as outlined below:

Well-being and Improvement Objective 2017-18	Review
Create opportunities to improve the local economy and job prospect through sustainable communities.	This objective remains important and has been incorporated into the new Priority 'Boosting the Economy' where we have broadened our horizons to make use of the potential employment opportunities, partnerships and 21st century infrastructure development
Improve families' and children's long term outcomes in terms of their wellbeing, health and their ability to reach their educational potential.	This objective has been incorporated into the Priority 'Investing in People's Future' where the focus is on learning opportunities, protection from poverty and promotion of healthier lifestyles.
Promoting individual and community resilience for adults	'Enabling Individual and Family Resilience' looks to improve the quality of life for citizens of all ages and the provision of improved choices and quality of local affordable housing.
Improve the availability of safe, affordable homes and safer communities	'The promotion of the well-being of individuals and communities within safe and accessible homes' is a well-being and improvement objective within the Priority Enabling Individual and Family Resilience.
Maximise the benefits of our culture and environment to develop a sustainable future	Our final Priority 'Promoting Environmental and Community Resilience' focuses on protection of Coastal communities, maintaining waste reduction and management of carbon emissions.

The new Priorities for Ceredigion incorporating the Well-being and Improvement Objectives for 2018/19 are as follows:

<b><u>Priority</u></b>	<b><u>Well-being and Improvement Objectives</u></b>
1. Boosting the Economy	<ul style="list-style-type: none"> <li>• Promote and provide employment opportunities for the citizens of Ceredigion</li> <li>• Enhance prosperity through collaborative and innovative partnership schemes</li> <li>• Develop 21st Century Infrastructures across the County</li> </ul>
2. Investing in People's Future	<ul style="list-style-type: none"> <li>• Improve opportunities for learning and employment for all citizens.</li> <li>• Protecting people from poverty through income maximisation</li> <li>• Working in partnership to promote and foster healthy and active lifestyles</li> <li>• Promote and facilitate the distinct and vibrant bilingual culture and identity of Ceredigion</li> </ul>
3. Enabling Individual and Family Resilience	<ul style="list-style-type: none"> <li>• Promote the well-being of individuals and families within safe and accessible homes</li> <li>• Protect the most vulnerable by promoting early intervention and prevention</li> <li>• Enable individuals and families to regain and maintain their independence</li> </ul>
4. Promoting Environmental and Community Resilience	<ul style="list-style-type: none"> <li>• Actively engage in programmes to deal with the effects of climate change</li> <li>• To improve infrastructure to facilitate future development to meet community needs</li> <li>• To help and assist communities to become more self-resilient</li> </ul>

**Services of the Council**

The Services of the Council for 2017/18 were:

<b>Leadership Group</b>	<b>Legal &amp; Democratic</b>	<b>Performance &amp; Economy</b>	<b>Finance</b>
<ul style="list-style-type: none"> <li>•Leadership Group</li> </ul>	<ul style="list-style-type: none"> <li>•Democratic Services</li> <li>•Electoral Services</li> <li>•Civil Registration</li> <li>•Legal</li> </ul>	<ul style="list-style-type: none"> <li>•Corporate Governance</li> <li>•Internal Audit</li> <li>•Forward Planning</li> <li>•Museum</li> <li>•Regeneration</li> <li>•Regional Engagement</li> <li>•Tourism</li> </ul>	<ul style="list-style-type: none"> <li>•Accountancy</li> <li>•Insurance</li> <li>•Payments</li> <li>•Debtors</li> <li>•Procurement</li> <li>•Council tax and National Domestic Rates</li> <li>•Financial Assessments and Collections</li> </ul>
<b>Human Resources &amp; Corporate Health and Safety</b>	<b>Families &amp; Children</b>	<b>Adult Social Care</b>	<b>Lifestyle</b>
<ul style="list-style-type: none"> <li>•Corporate Human Resources</li> <li>•Corporate Health &amp; Safety</li> <li>•Payroll</li> </ul>	<ul style="list-style-type: none"> <li>•Adoption</li> <li>•Children with Disabilities</li> <li>•Fostering</li> <li>•Leaving Care</li> <li>•Looked After Children</li> <li>•Safeguard Children and Young People</li> <li>•Young Carers</li> <li>•Youth Offending Services</li> </ul>	<ul style="list-style-type: none"> <li>•Carers</li> <li>•Commissioned Services</li> <li>•Direct Services (In-House Residential Care/Home Care/Equipment)</li> <li>•Learning Disabilities Services</li> <li>•Mental Health Services</li> <li>•Older People Services</li> <li>•Physical Disabilities</li> <li>•Safeguard Adults at Risk</li> </ul>	<ul style="list-style-type: none"> <li>•Building Control</li> <li>•Development Management</li> <li>•Environmental Health</li> <li>•Health Promotion &amp; Improvement</li> <li>•Homelessness/Housing Option</li> <li>•Leisure services</li> <li>•Licensing</li> <li>•Strategic Housing</li> <li>•Trading Standards</li> </ul>
		<b>Information Communications Technology &amp; Customer Services</b>	
<b>Learning</b>	<b>Policy Support</b>		<b>Technical</b>
<ul style="list-style-type: none"> <li>•16 plus</li> <li>•Adult Learning</li> <li>•Catering</li> <li>•Educational Improvement</li> <li>•Pre-School</li> <li>•Schools</li> <li>•Special Needs</li> </ul>	<ul style="list-style-type: none"> <li>•Arts &amp; Culture and Theatr Felinfach</li> <li>•Communications</li> <li>•Corporate Complaints, Compliments &amp; Improvements</li> <li>•Flying Start</li> <li>•Regional Engagement</li> <li>•Promotion of Welsh Language</li> <li>•Team around the Family</li> </ul>	<ul style="list-style-type: none"> <li>•Archives</li> <li>•Customer Information Centres</li> <li>•Information Communications Technology</li> <li>•Libraries</li> <li>•Reprographics</li> </ul>	<ul style="list-style-type: none"> <li>•All Buildings &amp; Building Maintenance</li> <li>•Central Wales Infrastructure Collaboration/North &amp; Mid Wales Trunk Road Agent</li> <li>•Flooding &amp; Coastal</li> <li>•Highways/Bridges</li> <li>•Road Safety</li> <li>•Traffic Management</li> <li>•Transport</li> <li>•Waste</li> </ul>

**Governance**

The Annual Governance Statement (on pages 92 to 104) outlines the Council's approach to ensuring that it maintains an effective system of corporate governance and internal control. The statement is produced following a review of the council's governance arrangements and includes an action plan to address any significant governance issues identified.

### **Issues and risks affecting the Council**

It is important to recognise risk during these extremely challenging economic times. The Council's corporate risks, their risk score and RAG (red, amber, green) ratings at the start and end of the year are shown below:

<b>Corporate Risk</b>	<b>Beginning of the year</b>	<b>End of the year</b>
Strategic Plans and Priorities	10/Amber	10/Amber
Governance	8/Amber	8/Amber
Improvement & Performance Management Arrangements	6/Amber	6/Amber
Business Continuity & Civil Contingency	8/Amber	8/Amber
Medium Term Financial Plan	15/Red	15/Red
Supporting Vulnerable Adults and Older People to live independently	15/Red	15/Red
Rising Number of POVA referrals and DoLs	16/Red	16/Red
Child Protection	12/Amber	12/Amber
Information Management – Security	6/Amber	8/Amber
Capacity and Capability	8/Amber	8/Amber
Complaints	12/Amber	12/Amber
Carbon Management	12/Amber	12/Amber
Coastal Erosion and Flood Incidents	25/Red	25/Red
Highway Maintenance	25/Red	Moved to be included in Medium Term Financial Plan risk
Supporting Local Food Businesses and Impact on the Economy	12/Amber	12/Amber

### **Financial Strategy and Resource Allocation**

The purpose of the Financial Strategy is to provide a financial governance framework to operate within by setting out the issues that are considered and taken into account for financial planning for the medium term. By bringing together financial assumptions; standards of service delivery; demographic needs; and workforce planning issues it is expected that the Council will be better able to consider overall management of its resources to meet its objectives.

The Council's financial objective is for the careful and responsible use of resources and to ensure that the financial resilience of the Council is maintained and strengthened. Understanding the overall financial context is important in order to deliver a robust and balanced budget during the next few years as it is recognised that funding for the Public Sector will be limited and reducing in cash terms.



There are many challenging years ahead in local government with public finances continuing to be extremely tight, and this has a direct impact on the Council's budgets. These are therefore difficult times from a budgetary and service delivery perspective. However, from this challenge opportunities should also arise by seizing the agenda and considering how services can be delivered differently and better, and ensuring greater value for money for the taxpayer.

The Council's medium term financial forecast is set within the context of national economy, public expenditure plans and national legislation and regulations. It is being formulated within a context of a difficult national economy and a time when significant austerity measures have been introduced. The Council receives approximately 73% of its net revenue budget from the Welsh Government hence reliance is placed on the economy as a whole and the UK Government's ability to raise taxes to fund Public Services. The economic downturn places increased pressures on the Council's own finances and also on the wider community. The population projections indicate that nationally, and for Ceredigion, people will live longer which means more public to serve which will have an impact on all services and particularly in the age category of 65 and above.

The financial strategy is therefore to continue to manage the forecasted gap between likely resources and budget requirement in order to deliver a balanced budget position whilst meeting the Council's objectives. This outcome can be achieved by focusing mainly on identifying savings in advance of the budget being set in order that they can be realised in time for the start of the relevant financial year. A savings plan has been developed which identifies savings for the medium term. The overall reduction to the Council's budget from reduced funding is to be met from transformational change, service reviews and third party expenditure reduction.

## Financial Performance - Revenue

This section of the report provides a summary of the Council's financial performance for 2017/18:

	2017/18 Budget	2017/18 Actuals	Under/ (over) spend
	£'000	£'000	£'000
<b>Services</b>			
Leadership Group	3,606	3,606	-
Legal and Democratic	2,562	2,469	93
Performance and Economy	1,999	1,908	91
Finance	18,373	17,705	668
ICT & Customer Services	3,685	3,622	63
Human Resources & Corporate	1,831	1,770	61
Health and Safety			
Families and Children	6,963	7,024	(61)
Adult Social Care	21,994	22,074	(80)
Lifestyle	3,339	3,339	-
Learning	47,657	47,655	2
Policy Support	1,233	1,177	56
Technical	18,130	18,160	(30)
Levies, Balances & Reserves	3,837	3,837	-
<b>Total Controllable Budget</b>	<b>135,209</b>	<b>134,346</b>	<b>863</b>
Shortfall on Council Tax			(350)
<b>Surplus</b>			<b>513</b>
Financed by:			
Aggregate External Funding	97,937	97,937	
Local Taxation	37,272	36,922	
General Fund	-	(513)	
	<b>135,209</b>	<b>134,346</b>	

- **Leadership Group** broke even which was in line with budget, the Medium Term Financial Strategy (MTFS) and transformational savings.
- **Legal and Democratic** underspent by £93k after allowing for transfers to reserves – therefore the overall position is broadly in line with forecasts.
- **Performance & Economy** underspent by £91k which was slightly better than forecast.
- The **Finance Service** underspent by £68k after allowing for transfers to reserves - therefore the overall position is broadly in line with forecasts. Council Tax Premium expenditure had nil expenditure compared to a £600k budget because the Council Tax position (income) ended up in deficit.
- **ICT & Customer Services** underspent by £63k which was slightly better than forecast.

- **Human Resources & Corporate Health & Safety** underspent by £61k which was in line with forecasts.
- **Families & Children** overspent by £61k which was nearly a £100k better than forecast.
- **Adult Social Care** overspent by £80k which was a significant improvement from the previous forecast which anticipated an over spend of £360k.
- **Lifestyle** broke even after utilising reserves which was in line with forecasts.
- **Learning** broke even at year end and was able to distribute £300k to Secondary and All Through Schools, savings generated from the Additional Learning Needs Strategy.
- **Policy Support** underspent by £56k which was in line with forecasts.
- **Technical Services** had a small overspend of £30k which was after transferring £284k from earmarked reserves to help fund additional costs relating to Winter Maintenance as a result of the adverse weather in March – this was in addition to funding from Welsh Government of £99k.
- **Levies, Balances & Reserves** were in line with forecasts.

The Council was successful in obtaining one off extra funding in March for Social Services, Winter Maintenance and Schools together with other one off service savings / income. This has contributed to the improved financial position which shows an overall surplus of £513k (increase in General Fund Balance and also increase in Earmarked Reserve Balances).

The overall surplus is after taking into consideration a shortfall on the Council Tax Account of £350k. The shortfall is as a result of an abnormally high number of properties that have transferred from Council Tax to NNDR. Overall the Council Tax Premium Account after offsetting refunds ended up with a small deficit of £60k (which is in addition to the deficit from 2016/17 of £268k).

General Balances have increased from £5.0m to £5.5m which is 3.9% of the annual budget when compared to the target range of between 3% and 5%. Earmarked Reserves have been reviewed and adjusted in line with the Council's commitments and have increased overall.

The budget performance for 2017/18 has been excellent it reflects the way the budget has been set in a robust manner and 100% of the savings plans were delivered by the Services throughout the year. This provides a sound footing for positive performance going forward in 2018/19 as well as supporting the delivery of the MTFS.

**Financial Performance - Capital**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Approved Budget	14,502	26,764
Expendable Budget	13,728	21,953
Actual Expenditure	<u>10,142</u>	<u>17,497</u>
	<b><u>3,586</u></b>	<b><u>4,456</u></b>

**Approved Budget** – is the total Capital Programme budget approved by Cabinet/Council which includes a general grants line which is not an expendable budget. This is a mechanism for adding additional approved grant schemes within the year.

**Expendable Budget** – is the total of the approved schemes within the Capital Programme excluding the general grants line.

The main variances between the expendable budget and actual spend were as follows:

	<b>2017/18</b>
	<b>Under/(Over)</b>
	<b>Spends</b>
	<b>£'000</b>
1. Replacement Vehicles	582
2. Aberystwyth Town Centre Regeneration Loan Scheme	500
3. Disabled Facilities Grant	377
4. Street Lighting Programme	349
5. HILS & Houses 2 Homes Loans	310
6. 21st Century Schools Programme (Phase 1)	302
7. Cylch Caron	207
8. Building Rationalisation/Energy Efficiency	191
9. Other variances under £150K	768
	<b><u>3,586</u></b>

The reasons for these variances were:

1. The underspend was mainly due to a delay in the purchase of Refuse Vehicles, which will now take place in 2018/19.
2. A loan scheme is no longer being pursued with this funding, however the funding remains available up until 30/09/2018.
3. The underspend is due to a number of factors including one large scheme that is currently not proceeding, positive financial benefits from a new procurement framework and a lower level of grant payments.
4. The underspend was due to a delay in the supply and delivery of Street Lighting LED Replacement Luminaries which is now taking place in 2018/19.
5. The conversion of expressions of interest into actual payment has been slower than anticipated.

6. 21st Century schools Programme (Phase 1) is scheduled over a number of years and will roll over into 2018/19 which is the final year of this programme.
7. The scheme is still progressing towards Full Business Case Approval
8. The majority of the underspend relates to a New Heating System at Rhdypennau school which will now fall into 2018/19.

The main areas of capital spend were

- 21st Century Schools Programme
- Disabled Facilities Grant
- Highways improvements
- Canolfan y Bont Ysgol Bro Pedr Lampeter
- Sewage Treatment Works
- Expenditure under Capitalisation Direction
- Local Transport Fund - to include Aberystwyth Active Travel - IBERS & Boulevard St Briec & Cardigan Active travel
- Safe Routes in Schools:- to include Ysgol Bro Pedr, Penrhyncoch & Rhiwcoch
- Ceredigion Museum New Approaches
- Replacement Vehicles
- Llanbadarn HCT

Capital Expenditure financing:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
General Capital Funding	3,630	4,694
Developing Education in Ceredigion Reserves	634	1,112
Prudential Borrowing (Funded by circa £600k restructuring Savings)	300	2,541
Schools (Local Government Borrowing Initiative)	-	805
Temporary Borrowing (Future Capital Receipts) 21st Century Schools Capital Receipts	636	2,357
Revenue/Reserve contributions - Including Corporate Capital Reserve	646	67
WG repayable Funding (HILS & H2H loans)	107	106
Section 106	-	113
Grants	4,189	5,112
	<b><u>10,142</u></b>	<b><u>17,497</u></b>

The main investment plans and new fixed assets in 2018/19 include:

- 21st Century Schools Programme phase 1
- 21st Century Schools Programme phase 2
- Replacement Vehicles including Refuse Vehicles and Gritters
- Disabled Facilities Grants
- Local Transport Fund - Active Travel Scheme & Bow Street interchange to Plas Gogerddan
- Sewage Treatment works
- Street Lighting Programme

- Highways improvements Schemes (including £1.2m new investment)
- Underfloor Heating Replacement in Schools
- Town Centre Regeneration loan Scheme
- Coastal Protection Aberaeron Design Phase
- Expenditure under Capitalisation Direction
- HILS & Houses into Homes Loan

### ***Borrowing Facilities***

The Council obtains the majority of its long term borrowing from the Public Works Loans Board. The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments. In addition to this, the Council is able to obtain market loans either direct with banks and building societies or through brokers. For short term borrowing needs the Council can raise temporary funding through the bank or the financial markets. See Note 1.23 for further information.

The Council is maintaining an under-borrowed position as it is using internal borrowing in lieu of external borrowing. Effectively the full capital borrowing need is a higher figure than the Council's actual external loan debt. The Council will not borrow more than, or in advance of, its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance of need will be within the approved Capital Financing Requirement estimates (one of the Prudential Indicators) and will be carefully considered to ensure that value for money can be demonstrated, that the Council can ensure the security of such funds and can afford the short term 'cost of carry'.

There are limited options for PWLB to PWLB debt rescheduling in the current climate. It is also unlikely that the Council will be in position to repay prematurely any further debt outright, unless it is part of debt rescheduling. However should any restructuring opportunities arise they would be carefully considered.

### ***Retirement Benefits***

The Statements fully reflect the net liability of the Pension Fund. The Balance Sheet includes a net liability of £86,675K in 2017/18 (£99,205K in 2016/17). See Note 1.37 for further information. The Pension Fund's actuary has calculated this estimated cost of providing retirement benefits by comparing the current market value of the Council's share of the pension fund assets with the current value of liabilities. This figure will vary each year depending on the actuary's assumptions on how the funds' investments have performed and the discount rates applied under the accounting standard. This liability continues to be managed on our behalf by the Pension Fund's Administering Authority.

## **ACCOUNTING STATEMENTS**

This Statement of Accounts has been provided to give electors, local taxpayers, Members of the Council and other interested parties information about the Council's financial position. It provides a summary of the financial position as at 31st March 2018 and includes a number of accounting statements, which show the range and scale in financial terms, of the Council's services and activities. The various services of the Council have co-operated by maintaining adequate accounting records, exercising budgetary control and providing relevant documents. This document has been prepared to meet the requirements of the Public Audit (Wales) Act 2004 (and as further specified in the Accounts and Audit (Wales) Regulations 2014) and fully reflects the Code of Practice on Authority Accounting in the United Kingdom 2017/18 requirements for accounting statements.

### **Changes for 2017/18**

Amendments to the Code have resulted in the following changes to the Accounts:

- New principles-based approach to narrative reporting. This part of the Statement of Accounts should focus on those elements that are material to an understanding of the financial position and performance of the Council. Narrative reporting requirements encourage local authorities to tell their story and not be overly prescriptive in nature.

Feedback from the 2016/17 audit has resulted in the following changes to the Accounts:

- The Expenditure and Financing Analysis (EFA) has moved to note 1.1 due to guidance from Wales Audit Office and CIPFA that the EFA should not have the same prominence as the Core Financial Statements.

## **CORE FINANCIAL STATEMENTS**

The Statement of Accounts comprises a number of Accounting Statements and the following notes are provided to explain their purpose.

### Comprehensive Income and Expenditure Statement

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. Councils raise council tax 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.

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce council tax) and 'unusable reserves'. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council'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 General Fund Balance for council tax purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the

statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council 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 Usable Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves, i.e. those that the Council 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 difference as shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### Cash Flow Statement

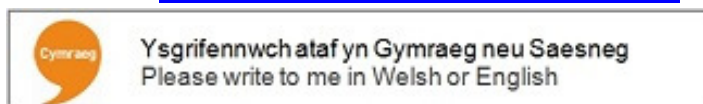
The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows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

### **Further Information**

Interested persons have a statutory right to inspect the Accounts before the annual audit is completed. Anyone wishing further information or explanation on the Accounts should contact:

**Finance and Procurement Service  
Ceredigion County Council  
Canolfan Rheidol  
Rhodfa Padarn  
Llanbadarn Fawr  
Aberystwyth  
SY23 3UE**

**E-mail: [df.technicians@ceredigion.gov.uk](mailto:df.technicians@ceredigion.gov.uk)**





**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS****THE COUNCIL'S RESPONSIBILITIES**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Lead Officer: Finance & Procurement.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Chair of the Council

20 September 2018

**THE RESPONSIBILITIES OF THE CORPORATE LEAD OFFICER – FINANCE & PROCUREMENT**

The Corporate Lead Officer: Finance & Procurement is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('the Code').

In preparing this Statement of Accounts, the Corporate Lead Officer: Finance & Procurement has:

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

The Corporate Lead Officer: Finance & Procurement has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2018.

Corporate Lead Officer: Finance & Procurement

20 September 2018

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

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

#### **Opinion**

I have audited the financial statements of Ceredigion County Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Ceredigion County Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

#### **Other information**

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

information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

### **Report on other requirements**

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

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

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

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

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

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

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

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

### **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts (set out on page 15 of the financial statements), the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's ability to continue as a going concern,

disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
25 September 2018

24 Cathedral Road  
Cardiff  
CF11 9LJ

**Electronic publication of financial statements**

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

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

	Note	2017/2018			2016/2017		
		Gross Exp	Gross Inc	Net Exp	Gross Exp	Gross Inc	Net Exp
		£'000	£'000	£'000	£'000	£'000	£'000
Leadership Group		2,307	4	2,303	1,457	354	1,103
Legal and Democratic		3,482	812	2,670	3,139	763	2,376
Performance and Economy		4,755	1,578	3,177	4,185	1,209	2,976
Finance		28,896	18,726	10,170	29,814	18,727	11,087
ICT and Customer Services		4,230	101	4,129	4,370	103	4,267
Human Resources and Health and Safety		2,240	235	2,005	2,009	221	1,788
Families and Children		9,531	1,842	7,689	9,079	1,664	7,415
Adult Social Care		41,631	18,039	23,592	42,212	16,778	25,434
Lifestyle		9,457	3,006	6,451	9,114	3,308	5,806
Learning		70,314	14,954	55,360	71,703	14,228	57,475
Policy Support		3,260	1,754	1,506	3,285	1,631	1,654
Technical		33,501	8,518	24,983	34,489	8,950	25,539
<b>COST OF SERVICES</b>		<b>213,604</b>	<b>69,569</b>	<b>144,035</b>	<b>214,856</b>	<b>67,936</b>	<b>146,920</b>
Other operating expenditure	1.9	13,083	0	13,083	10,756	858	9,898
Financing and investment income and expenditure	1.10	9,483	1,250	8,233	9,289	1,248	8,041
Taxation and non-specific grant income	1.11	0	148,147	(148,147)	0	145,253	(145,253)
<b>(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES</b>		<b>236,170</b>	<b>218,966</b>	<b>17,204</b>	<b>234,901</b>	<b>215,295</b>	<b>19,606</b>
(Surplus) or deficit on revaluation of Fixed Assets	1.26			(1,650)			(1,969)
Remeasurement of the net defined benefit liability (asset)	1.37			(23,412)			23,629
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(25,062)</b>			<b>21,660</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(7,858)</b>			<b>41,266</b>

## MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance	Earmarked Reserves	TOTAL	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2017/18</b>									
<b>Balance at 31/03/17</b>		<b>(5,026)</b>	<b>(15,131)</b>	<b>(20,157)</b>	<b>(5,780)</b>	<b>(972)</b>	<b>(26,909)</b>	<b>(121,599)</b>	<b>(148,508)</b>
(Surplus) or deficit on provision of services		17,204	0	17,204	0	0	17,204	0	17,204
Other Comprehensive Expenditure & Income		0	0	0	0	0	0	(25,062)	(25,062)
<b>Total Comprehensive Expenditure &amp; Income</b>		<b>17,204</b>	<b>0</b>	<b>17,204</b>	<b>0</b>	<b>0</b>	<b>17,204</b>	<b>(25,062)</b>	<b>(7,858)</b>
Adjustments between accounting basis & funding basis under regulations	1.7	(18,533)	0	(18,533)	(604)	(905)	(20,042)	20,042	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(1,329)</b>	<b>0</b>	<b>(1,329)</b>	<b>(604)</b>	<b>(905)</b>	<b>(2,838)</b>	<b>(5,020)</b>	<b>(7,858)</b>
Transfers to/from Earmarked Reserves	1.8	816	(816)	0	0	0	0	0	0
<b>(Increase)/Decrease Balance at 31/03/18</b>		<b>(513)</b>	<b>(816)</b>	<b>(1,329)</b>	<b>(604)</b>	<b>(905)</b>	<b>(2,838)</b>	<b>(5,020)</b>	<b>(7,858)</b>
		<b>(5,539)</b>	<b>(15,947)</b>	<b>(21,486)</b>	<b>(6,384)</b>	<b>(1,877)</b>	<b>(29,747)</b>	<b>(126,619)</b>	<b>(156,366)</b>
<b>2016/17</b>									
<b>Balance at 31/03/16</b>		<b>(4,806)</b>	<b>(17,644)</b>	<b>(22,450)</b>	<b>(4,450)</b>	<b>(871)</b>	<b>(27,771)</b>	<b>(162,003)</b>	<b>(189,774)</b>
(Surplus) or deficit on provision of services		19,606	0	19,606	0	0	19,606	0	19,606
Other Comprehensive Expenditure & Income		0	0	0	0	0	0	21,660	21,660
<b>Total Comprehensive Expenditure &amp; Income</b>		<b>19,606</b>	<b>0</b>	<b>19,606</b>	<b>0</b>	<b>0</b>	<b>19,606</b>	<b>21,660</b>	<b>41,266</b>
Adjustments between accounting basis & funding basis under regulations	1.7	(17,313)	0	(17,313)	(1,330)	(101)	(18,744)	18,744	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>2,293</b>	<b>0</b>	<b>2,293</b>	<b>(1,330)</b>	<b>(101)</b>	<b>862</b>	<b>40,404</b>	<b>41,266</b>
Transfers to/from Earmarked Reserves	1.8	(2,513)	2,513	0	0	0	0	0	0
<b>(Increase)/Decrease Balance at 31/03/17</b>		<b>(220)</b>	<b>2,513</b>	<b>2,293</b>	<b>(1,330)</b>	<b>(101)</b>	<b>862</b>	<b>40,404</b>	<b>41,266</b>
		<b>(5,026)</b>	<b>(15,131)</b>	<b>(20,157)</b>	<b>(5,780)</b>	<b>(972)</b>	<b>(26,909)</b>	<b>(121,599)</b>	<b>(148,508)</b>

**BALANCE SHEET**

	Note	£'000	31/03/18 £'000	31/03/17 £'000
<b><u>ASSETS</u></b>				
Property, Plant and Equipment	1.13	331,925		338,641
Investment Property	1.14	17,415		17,599
Heritage Assets	1.15	3,376		2,897
Long Term Debtors		2,131		1,987
<b>LONG TERM ASSETS</b>			<b>354,847</b>	<b>361,124</b>
Short Term Investments	1.17	9,022		5,035
Assets Held for Sale		1,160		2,198
Inventories		430		595
Short Term Debtors	1.20	16,256		17,529
Cash and Cash Equivalents	1.21	5,924		3,321
<b>CURRENT ASSETS</b>			<b>32,792</b>	<b>28,678</b>
<b>TOTAL ASSETS</b>			<b>387,639</b>	<b>389,802</b>
<b><u>LIABILITIES</u></b>				
Short Term Borrowing	1.23	(3,189)		(6,988)
Short Term Creditors	1.22	(19,969)		(20,376)
Short Term Provisions		0		(78)
<b>CURRENT LIABILITIES</b>			<b>(23,158)</b>	<b>(27,442)</b>
Long Term Creditors		(171)		(171)
Long Term Provisions		0		(101)
Long Term Borrowing	1.23	(115,549)		(108,023)
Other Long Term Liabilities	1.24	(92,395)		(105,550)
Capital Grants Receipts in Advance		0		(7)
<b>LONG TERM LIABILITIES</b>			<b>(208,115)</b>	<b>(213,852)</b>
<b>TOTAL LIABILITIES</b>			<b>(231,273)</b>	<b>(241,294)</b>
<b>NET ASSETS</b>			<b>156,366</b>	<b>148,508</b>
Usable Reserves	1.25	29,747		26,909
Unusable Reserves	1.26	126,619		121,599
<b>TOTAL RESERVES</b>			<b>156,366</b>	<b>148,508</b>

**CASH FLOW STATEMENT**

	Note	2017/18 £'000	2016/17 £'000
<b>OPERATING ACTIVITIES</b>			
<b>Net Surplus/(Deficit) on the Provision of Services</b>		<b>(17,204)</b>	<b>(19,606)</b>
<b>Non cash transactions</b>			
Depreciation and Impairment		14,010	19,710
Capital Grants		(5,502)	(5,999)
Pension Fund adjustments		10,882	5,762
		<u>2,186</u>	<u>(133)</u>
<b>Adjustments for items reported separately on Cashflow</b>			
(Gain)/Loss on the disposal of Fixed Assets		1,725	(676)
<b>Items on an accrual basis</b>			
(Increase)/decrease in Stock		165	44
(Increase)/decrease in Debtors		1,475	(104)
Increase/(decrease) in Creditors		343	(1,081)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	1.27	<b><u>5,894</u></b>	<b><u>(1,950)</u></b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Purchase of fixed assets		(9,201)	(14,624)
Purchase of short term investments		(5,009)	(4,000)
Other Capital cash payments		(498)	(531)
		<u>(14,708)</u>	<u>(19,155)</u>
<b>Cash Inflows</b>			
Sale of fixed assets		1,667	3,473
Capital grants received		5,036	6,302
Proceeds from long term investments		0	1,000
Proceeds from short term investments		1,000	1,990
Other Capital Cash Receipts		612	793
		<u>8,315</u>	<u>13,558</u>
<b>Net Cash Flows from Investing Activities</b>		<b><u>(6,393)</u></b>	<b><u>(5,597)</u></b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Repayment of short term and long term borrowing		(4,273)	(1,444)
Payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts		(625)	(581)
		<u>(4,898)</u>	<u>(2,025)</u>
<b>Cash Inflows</b>			
New Loans Raised		8,000	0
<b>Net Cash Flows from Financing Activities</b>		<b><u>3,102</u></b>	<b><u>(2,025)</u></b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b><u>2,603</u></b>	<b><u>(9,572)</u></b>
<b>Cash and Cash Equivalents at beginning of the year</b>		<b>3,321</b>	<b>12,893</b>
<b>Cash and Cash Equivalents at end of the year</b>	1.21	<b>5,924</b>	<b>3,321</b>



**NOTES TO THE STATEMENT OF ACCOUNTS****1.1 EXPENDITURE AND FUNDING ANALYSIS**

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

<b>2017/2018</b>	<b>Outturn</b>	<b>Transfers (to)/from Earmarked Reserves (Note 1.8)</b>	<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between Funding &amp; Accounting Basis (Note 1.7)</b>	<b>Net Expenditure in the Comprehensive Income &amp; Expenditure Statement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leadership Group	3,606	(1,749)	1,857	446	2,303
Legal and Democratic	2,469	(50)	2,419	251	2,670
Performance and Economy	1,908	0	1,908	1,269	3,177
Finance	17,705	(996)	16,709	(6,539)	10,170
ICT and Customer Services	3,622	0	3,622	507	4,129
Human Resources and Health and Safety	1,770	9	1,779	226	2,005
Families and Children	7,024	15	7,039	650	7,689
Adult Social Care	22,074	26	22,100	1,492	23,592
Lifestyle	3,339	154	3,493	2,958	6,451
Learning	47,655	970	48,625	6,735	55,360
Policy Support	1,177	0	1,177	329	1,506
Technical	18,160	805	18,965	6,018	24,983
Levies	3,837	0	3,837	(3,837)	0
<b>NET COST OF SERVICES</b>	<b>134,346</b>	<b>(816)</b>	<b>133,530</b>	<b>10,505</b>	<b>144,035</b>
<b>Other Income and Expenditure</b>	<b>(134,859)</b>	<b>0</b>	<b>(134,859)</b>	<b>8,028</b>	<b>(126,831)</b>
<b>(Surplus) or Deficit</b>	<b>(513)</b>	<b>(816)</b>	<b>(1,329)</b>	<b>18,533</b>	<b>17,204</b>
<b>General Fund Opening Balance</b>	<b>(5,026)</b>	<b>(15,131)</b>	<b>(20,157)</b>		
<b>(Surplus) or Deficit</b>	<b>(513)</b>	<b>(816)</b>	<b>(1,329)</b>		
<b>General Fund Closing Balance</b>	<b>(5,539)</b>	<b>(15,947)</b>	<b>(21,486)</b>		

<b>2016/2017</b>	<b>Outturn</b>	<b>Transfers (to)/from Earmarked Reserves (Note 1.8)</b>	<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between Funding &amp; Accounting Basis (Note 1.7)</b>	<b>Net Expenditure in the Comprehensive Income &amp; Expenditure Statement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leadership Group	294	601	895	208	1,103
Legal and Democratic	2,284	0	2,284	92	2,376
Performance and Economy	1,815	87	1,902	1,074	2,976
Finance	16,812	86	16,898	(5,811)	11,087
ICT and Customer Services	3,653	21	3,674	593	4,267
Human Resources and Health and Safety	1,723	0	1,723	65	1,788
Families and Children	7,146	0	7,146	269	7,415
Adult Social Care	23,219	150	23,369	2,065	25,434
Lifestyle	3,294	0	3,294	2,512	5,806
Learning	47,402	2,085	49,487	7,988	57,475
Policy Support	1,168	0	1,168	486	1,654
Technical	19,468	(517)	18,951	6,588	25,539
Levies & Outcome Agreement Grant	3,705	0	3,705	(3,705)	0
<b>NET COST OF SERVICES</b>	<b>131,983</b>	<b>2,513</b>	<b>134,496</b>	<b>12,424</b>	<b>146,920</b>
<b>Other Income and Expenditure</b>	<b>(132,203)</b>	<b>0</b>	<b>(132,203)</b>	<b>4,889</b>	<b>(127,314)</b>
<b>(Surplus) or Deficit</b>	<b>(220)</b>	<b>2,513</b>	<b>2,293</b>	<b>17,313</b>	<b>19,606</b>
<b>General Fund Opening Balance</b>	<b>(4,806)</b>	<b>(17,644)</b>	<b>(22,450)</b>		
<b>(Surplus) or Deficit</b>	<b>(220)</b>	<b>2,513</b>	<b>2,293</b>		
<b>General Fund Closing Balance</b>	<b>(5,026)</b>	<b>(15,131)</b>	<b>(20,157)</b>		

**NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS**

<b>2017/18</b>	<b>Adjustments for Capital Purposes (Note A) £'000</b>	<b>Net change for Pensions Adjustments (Note B) £'000</b>	<b>Other Differences (Note C) £'000</b>	<b>Total Adjustments £'000</b>
Leadership Group	364	104	(22)	446
Legal and Democratic	0	263	(12)	251
Performance and Economy	133	366	770	1,269
Finance	892	674	(8,105)	(6,539)
ICT and Customer Services	167	324	16	507
Human Resources and Health and Safety	0	210	16	226
Families and Children	23	629	(2)	650
Adult Social Care	280	1,221	(9)	1,492
Lifestyle	1,893	685	380	2,958
Learning	4,514	2,472	(251)	6,735
Policy Support	122	215	(8)	329
Technical	4,673	1,327	18	6,018
Levies	0	0	(3,837)	(3,837)
<b>NET COST OF SERVICES</b>	<b>13,061</b>	<b>8,490</b>	<b>(11,046)</b>	<b>10,505</b>
<b>Other Income and Expenditure</b>	<b>(13,904)</b>	<b>2,392</b>	<b>19,540</b>	<b>8,028</b>
<b>Difference between General Fund surplus or deficit plus Earmarked Reserves and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(843)</b>	<b>10,882</b>	<b>8,494</b>	<b>18,533</b>

**NOTE A – Adjustments for Capital Purposes**

This column adjusts for depreciation, impairment, revaluation gains and losses, gains and losses on disposal of assets, capital grants and capital expenditure funded from revenue.

**NOTE B - Net Change for Pensions Adjustments**

This column shows the adjustments required to comply with IAS19 Employee Benefits - specifically the removal of pension contributions made by the Council as allowed by statute, the replacement with current service costs and past service costs as calculated by the actuary, and the net interests on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

**NOTE C - Other Differences**

This column includes other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. These include adjustments to realign expenditure and income in accordance with the code and adjustments for the Accumulated Absences accrual.

	<b>Adjustments for Capital Purposes (Note A) £'000</b>	<b>Net change for Pensions Adjustments (Note B) £'000</b>	<b>Other Differences (Note C) £'000</b>	<b>Total Adjustments £'000</b>
<b>2016/17</b>				
Leadership Group	176	36	(4)	208
Legal and Democratic	0	90	2	92
Performance and Economy	160	124	790	1,074
Finance	1,114	604	(7,529)	(5,811)
ICT and Customer Services	445	112	36	593
Human Resources and Health and Safety	0	68	(3)	65
Families and Children	1	227	41	269
Adult Social Care	1,614	460	(9)	2,065
Lifestyle	2,240	264	8	2,512
Learning	7,299	808	(119)	7,988
Policy Support	397	80	9	486
Technical	6,019	513	56	6,588
Levies & Outcome Agreement Grant	0	0	(3,705)	(3,705)
<b>NET COST OF SERVICES</b>	<b>19,465</b>	<b>3,386</b>	<b>(10,427)</b>	<b>12,424</b>
<b>Other Income and Expenditure</b>	(16,333)	2,376	18,846	4,889
<b>Difference between General Fund surplus or deficit plus Earmarked Reserves and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>3,132</b>	<b>5,762</b>	<b>8,419</b>	<b>17,313</b>

## 1.2 ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31<sup>st</sup> March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, and those Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18*, 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.

### ii. 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 Council 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 Council.

- Revenue from the provision of services is recognised when the Council 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 Council.
- 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.
- 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 receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The only exception to this are some regular payments where the revenue accounts are charged with the number of payments in the year. This policy is consistently applied each year and does not have a material effect on the year's Accounts.

### **iii. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash and cash equivalents are shown net of bank overdrafts.

### **iv. Exceptional Items**

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### **v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied

retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **vi. 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 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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the minimum revenue provision (MRP) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account (which is included in Unusable Reserves) in the Movement in Reserves Statement for the difference between the two.

#### **vii. 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, 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 Council. An accrual is made for the cost of holiday entitlements and flexi leave 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 accounting year. 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 earned.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance or redundancy. Such amounts are charged on an accruals basis to Surplus or Deficit on the Provision of Service when the Council is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary severance or redundancy.

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

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) for the Westminster Government.
- The Local Government Pension Scheme, administered by Carmarthenshire County Council (and referred to as the Dyfed Pension Fund).

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council. However, arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year.

#### The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- Liabilities and service costs of the Dyfed Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method. The objective under this method is to expense each participant's benefits under the fund as they would accrue, taking into account future compensation increases and the fund's benefit allocation formula. Thus the total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.
- The Benefit obligation is the total present value of the individuals' attributed benefits for valuation purposes at the measurement date, and the service cost is the total present value of the individuals' benefits attributable to service during the year.
- Liabilities are discounted to their value at current prices, using a discounted rate of 2.6%.
- The assets of the Dyfed Pension Fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unlisted securities – current bid price
  - 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 a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to 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 the Finance Service

- Re-measurements 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 actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - contributions paid to the Dyfed Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amounts payable by the Council 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 General 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 Council 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 Local Government Pension Scheme.

#### **viii. Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **ix. Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the



price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- in the principal market for the asset
- in the absence of a principal market, in the most advantageous market for the asset (highest and best use)

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets or liabilities for which fair value is measured or disclosed in the accounts are categorised within the fair value hierarchy, as follows:

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

## **x. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and 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 Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (and 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 lines in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where re-purchase 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 General Fund Balance to be spread over future years. Where premiums or discounts are

incurred that formally meet the terms of a debt restructuring exercise, they are accounted for as an adjustment to the carrying amount of the replacement loan or loans. If they do not meet these terms, they are spread over the longer of the outstanding term on the replaced loan or the term of the replacement loan (premiums) or the outstanding term on the replaced loan up to a maximum of ten years (discounts). The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The fair value calculations have been based on the comparable new borrowing rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.

### **Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance sheet when the Council 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 Council 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 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 cash flows discounted at the asset's original effective interest rate.

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

### **xi. Government Grants and Contributions**

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

- the Council 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 General 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.

## **xii. Heritage Assets**

The Council's Heritage Assets are primarily held to preserve items which were common in the district or were unique to it or relate to a significant historical event or person with local connections. They are held in a variety of locations across the county, but most remain in the main Coliseum Museum in Aberystwyth. They are generally held in accordance with the Council's accounting policies on Property, Plant and Equipment but some rules are relaxed in relation to specific assets for reasons described below.

### Art Collection

The Council has approximately 190 pieces of art, both contemporary and historic, spread throughout its museums, council offices and leisure centres across Ceredigion. Most are of relatively insignificant value, well below the de minimis value of £10,000 applied for entry onto the Council's asset register. However four were specifically identified as being potentially above this value and have been valued by an appropriately qualified External Valuer in 2011 and included in the Balance Sheet. These valuations were for insurance purposes at market value and the condition of the items has not changed since this valuation. These are presumed to have an indeterminate life and thus it is not considered appropriate to apply depreciation.

### Civic Regalia

The Council has four official chains of office held for the Chairman, Vice-Chairman and their consorts. Only the Chairman's Chain is considered to be worth more than the de minimis level, based on the market values of the metals used in their composition. It has therefore been valued and is included in the Balance Sheet at this amount. It will not be depreciated as it has an indeterminate life, but will

periodically be considered for revaluation based on the market price of precious metals.

#### Historic Sites and Buildings

The Council owns and is responsible for the preservation and display of a number of historic sites and buildings throughout Ceredigion, including two castles. As there is no reliable way of valuing such items, due to the lack of a contemporary market, they are held in the balance sheet at historic cost.

#### Miscellaneous Exhibits

The Council's main museum at The Coliseum, Aberystwyth contains a large number of exhibits. However, because of low estimated values of each individual item and the lack of a contemporary market for many of the items, the Council considers the costs of a valuation exercise would considerably exceed the value of such a process to the users of the accounts and therefore no such exercise has taken place.

There are also thirteen large and/or potentially valuable items at the museum which have been valued for insurance purposes. Although individually the values are less than the £10,000 de minimis level they are significant in total, so have been added to the register and balance sheet as a single item. They will be treated in the same manner as the artworks and not depreciated. If the council makes any significant new purchase it will be added at cost until the next valuation takes place.

#### Museum Sites and Buildings

The Council's main Coliseum Museum in Aberystwyth has been extended into an adjacent vacant property. Expenditure on this project has been capitalised and added to the value of the museum. In addition to the main museum in Aberystwyth, the Council holds a number of subsidiary museums throughout the region. Consideration has been given to whether any of these should be held as Heritage Assets as opposed to Property, Plant and Equipment. It has been determined that two of them (including the Coliseum) are being held for their own historic significance, in addition to being used for displaying or holding exhibits. They have therefore been transferred to the Heritage Asset category on the Balance Sheet, continuing on the valuation basis they were on previously (Historic or Depreciated Replacement Cost). Depreciation is charged if considered appropriate, considering the individual circumstances of the building concerned.

#### Heritage Assets General

If there is any evidence of impairment then the carrying amounts of the balance sheet will be reviewed, although it is expected such events will be rare. Any such impairment will be treated in a similar way to impairment on Property, Plant and Equipment assets. If any disposals are made they will also be accounted for in the same manner as Property, Plant and Equipment but disposal proceeds will be identified separately in the notes. There were no disposals in the period under consideration for this set of accounts and it is not expected they will be a common event as the collection is fairly static in nature.

#### **xiii. Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

**xiv. 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 General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General 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.

**xv. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council 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 Council 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 plant, property or equipment that are jointly controlled by the Council 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 Council 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 in the venture.

**xvi. Leases**

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.

**The Council as Lessee****Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account (which is included in Unusable Reserves) in the Movement in Reserves Statement for the difference between the two.

**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. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

**The Council as Lessor****Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is transferred out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is transferred out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **xvii. Long Term Contracts**

Amounts due under long term contracts are charged to revenue as they fall due under the terms of the contract.

### **xviii. Minimum Revenue Provision (MRP)**

The Council's Minimum Revenue Provision (MRP) Policy follows the principles of the guidance issued by the Welsh Assembly Government under section 21(1A) of the Local Government Act 2003 through using one of the options outlined in the guidance, combined with introducing a further option that is underpinned by the principle of prudent provision.

The major proportion of the MRP continues to relate to the historic debt liability that existed pre 2008 or post 2008 where it relates to Supported Borrowing funded by the Welsh Assembly Government. The MRP liability on the Council's Capital Financing Requirement that relates to pre 2008 debt and post 2008 Supported

Borrowing funded through the Revenue Support Grant (RSG) system will be provided for through equal annual instalments over a 50 year period (i.e. 2% straight line approach) commencing from 1st April 2015. This period has been selected to match the average lives of Council Assets not specifically financed by Unsupported Borrowing after 1st April 2008. Expenditure that was financed by such Unsupported Borrowing has been subject to MRP under option 3, which is charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the annuity method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

The Council continues the principle of not charging MRP on any temporary unsupported (Prudential) borrowing. At present, only Welsh Government repayable funding for town centre regeneration is treated in this manner.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

According to the Code, assets held under PFI schemes and finance leases are subject to MRP in the same way as assets acquired using other forms of borrowing. Under regulations and statutory guidance, these charges can match the repayment of the liability. The increase in the MRP due to the finance lease assets has therefore been charged at the same rate as the write down of the corresponding liability on the balance sheet so that there will be no overall impact on the General Fund Balances of the Council. The MRP due to the Ysgol Gyfun Penweddig PFI assets, which was historically treated on a similar basis to finance lease assets, was delinked in 2017/18 and will be written down over the remaining lifespan of the Ysgol Gyfun Penweddig buildings instead. The MRP used in the CFR is therefore on the basis of remaining lifespan of the School and the charge to the Capital Adjustment Account is on the basis of charging MRP at the same rate as the write down of the PFI liability.

#### **xix. Overheads and Support Services**

The Comprehensive Income and Expenditure Statement is prepared on a Service basis in line with the Council's in-year reporting. As such, the recharging of overhead and support services costs are excluded from the Comprehensive Income and Expenditure Statement.



**xx. Property, Plant and Equipment**

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

Voluntary Controlled and Voluntary Aided School buildings are not included on the Balance Sheet as they are not Council assets.

If any material part of a building has a significantly shorter lifespan than the main structure and the value of that part is more than £10,000, then it is considered a component to be separately identified on the Council's asset register. Any such components identified within the new capital expenditure are valued separately when initially added to the asset register (or when the asset is transferred out of Assets under Construction for newly constructed buildings).

Recognition – Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. A de-minimis rule for capital has been applied – generally no capital expenditure valued at under £10k is included within capital spend. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is not added to fixed assets in the Balance Sheet but is charged as an expense as it is incurred. This entry is then reversed out to the Capital Adjustment Account to ensure there is no impact on Council Tax Levels.

Measurement – Assets are initially measured at cost, comprising:

- a) the purchase price
- b) any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The costs of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the balance sheet using the following measurement basis:

- Vehicles and Equipment, Infrastructure and Community Assets – Depreciated Historical Cost (except where the valuation option has specifically been adopted, in accordance with section 4.10 of the Code)
- Assets under construction – Historical Cost

- All other assets – Fair value, determined by Market Value

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value consist mostly of Other Land and Buildings and this category was split into five new subcategories in February 2014. Each category as a whole is revalued every five years. The historic timetable of asset revaluations is given below:

<b>2013/14</b>	Public Buildings (Leisure Centres, Public Conveniences, Theatres & Swimming pools)
<b>2014/15</b>	Educational Buildings (Primary, Secondary & all-through schools, Youth Clubs & Referral Units)
<b>2015/16</b>	Offices and other Operational Buildings and Community Assets
<b>2016/17</b>	Social Services Buildings
<b>2017/18</b>	Miscellaneous Land Assets

Further revaluations may take place between the scheduled investigations where the Valuers deem there have been material changes in the value of the relevant asset or assets.

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 a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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 the 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.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment 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 as follows:

- 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 has not been recognised.

### 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, Heritage Assets 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:

- Buildings – Straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – Straight line depreciation of the historic cost over the remaining expected life of the asset. Vehicles are given a residual value of 10% of the initial purchase price to reflect their potential resale value
- Infrastructure – Straight line depreciation of historic cost over the remaining expected life of the asset

Acquisitions and disposals of fixed assets are added to the asset register as at their date of purchase or sale in the relevant accounting year and are therefore depreciated in the usual manner for the year from that date if they are in a category which is normally depreciable.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant (more than £10,000) and whose lifespan is materially different to the host asset, the components are depreciated separately according to the differing estimated lives.

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 chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals – When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it will in most cases be reclassified as an Asset Held for Sale. In order for this category transfer to take place, the asset must meet the following criteria:

- It must be available for sale in its current condition and subject to normal terms of sale
- The decision to make the sale must have been made at the appropriate level of management
- The asset must be actively marketed at an appropriate price
- The sale must be expected to be completed within one year

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 previous losses recognised 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 no longer in use that fail to meet all of the above criteria or are to be abandoned or scrapped are normally reclassified as Surplus Assets, unless the Council is not actively marketing the property because it is waiting for prices in the market to rise, in which case the asset might be categorised as an Investment Property. Surplus Assets are depreciated in a normal fashion, however the depreciation is charged to non-distributed costs and not the original service account as the asset is no longer in use.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 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 disposal in excess of £10k are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General 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 General Fund Balance in the Movement in Reserves Statement.

#### **xxi. Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibilities for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the

contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Ysgol Gyfun Penweddig PFI scheme, the liability was written down by an initial capital contribution of £12,027,000.

Long term assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 4.5% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile for write downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of amounts payable is recognised as an addition to Property, Plant and Equipment when the relevant works are eventually carried out.

## **xxii. Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions included in the accounts may not be legally enforceable and may only be inferred from a set of facts in a particular situation therefore the inclusion of them in the accounts does not mean that liability has been accepted.

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

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

provide the power to make an adjusting entry for certain provisions in the Net Cost of Services and the Balance Sheet.

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

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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. They include situations when legal proceedings and other claims covering a range of matters are pending. They concern difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome.

### **Contingent Assets**

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

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

### **xxiii. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General 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 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 General 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 fixed assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **xxiv. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a long term asset has been

charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council 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 General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

#### **xxv. Value Added Tax (VAT)**

The Accounts have been prepared on a VAT exclusive basis, to the extent that it is recoverable.

### **1.3 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The changes that are introduced in the 2018/19 Code are:

- IFRS 15 - Revenue from contracts with customers, effective 2018-19, introduces a new comprehensive framework for revenue recognition which is a principles-based five-step model for recognising revenue arising from contracts with customers. It replaces IAS 18 Revenue and IAS 11 Construction.
- IFRS 9 - Financial Instruments, replaces IAS39 and has been implemented in the 2018-19 Code of Practice. A new approach is introduced for the classification and measurement of financial assets. The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.
- IFRS 16 – leases – A new leasing standard will be issued on 1st January 2019, which will affect the classification of operating and finance leases for lessees, and result in a potentially significant increase in the number of leased in assets that are recognised on the balance sheet, as well as the liabilities associated with those assets. CIPFA is currently considering new ways of assessing how the standard will impact on local authorities and a consultation has been issued. The standard is not anticipated to be adopted until 2019-20 at the earliest.

It is not anticipated that these amendments will have a material impact on the accounts.

### **1.4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

#### **Future levels of funding**

There is a high degree of uncertainty about future levels of funding for local government. The impact on the Council will be closely monitored as and when the situation becomes clearer.

**Voluntary Controlled and Voluntary Aided Schools**

Voluntary Controlled and Voluntary Aided school buildings remain out of the Balance Sheet as it has been confirmed that they are not Council assets.

**Minimum Revenue Provision (MRP)**

During 2017/18, a number of changes were made to the MRP calculation, the most significant of which was to delink the amortisation of the PFI element of the provision from the write down of the liability and amortising it over the remaining life of the Ysgol Gyfun Penweddig buildings instead. The impact of the revised policy will be kept under review.

**1.5 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 different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2018 for which there is a risk of adjustment in following financial years are:

**Revaluation of Property, Plant and Equipment**

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and vehicles, plant and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by valuers employed by the Council. If the actual results differ from the assumptions the value of Plant, Property and Equipment will be over or understated. This would be adjusted when the assets are next revalued.

**Depreciation of Property, Plant and Equipment**

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls.

**Debtors**

The Council has outstanding sundry debtors and council tax debtors. A review of these outstanding balances was undertaken and an estimate was made for impairing the doubtful debts based on past experience. However it is possible that the impairment is insufficient which could adversely affect the financial performance of the Council in future years.

**Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged by



Carmarthenshire County Council as the lead Pension Authority to ensure that the Council receives expert advice about the assumptions to be applied.

**Employee Benefits Accrual**

There are two elements to the accrual for employee benefits: annual leave and flexi time leave. The annual leave calculation is now calculated using the Human Resources system for all employees, whereas it was previously based on a sample of employees. The flexi time leave calculation has been estimated on an average of previous year's calculations as there has not been significant volatility in this figure. This will periodically be re-calculated to ensure that this approach is still prudent.

**Fair Value Measurement**

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to the valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.

Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's Chief Estates Officer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 1.16 and 1.17. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.

**1.6 EXPENDITURE AND INCOME ANALYSED BY NATURE**

The Council's expenditure and income is analysed as follows:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Controllable Expenditure</b>		
Employees	93,012	92,151
Premises	10,852	10,975
Transport	11,686	11,489
Supplies and Services	98,373	98,777
<b>Total Expenditure</b>	<b>213,923</b>	<b>213,392</b>
<b>Controllable Income</b>		
Grants	42,433	41,411
Other Income	33,835	32,988
Contract Services/Schools	4,125	4,497
<b>Total Income</b>	<b>80,393</b>	<b>78,896</b>
<b>Controllable Before Reserves</b>	<b>133,530</b>	<b>134,496</b>
Revenue Expenditure Funded from Capital under Statute	1,681	1,964
IAS19 <i>Employee Benefits</i> adjustments	10,882	5,762
Accumulated Absences	25	608
Depreciation, amortisation and impairment	14,010	19,710
(Gain)/Loss on disposal of assets	1,485	(825)
Capital Expenditure charged to the General Fund	(1,280)	(1,180)
Other capital accounting adjustments	(2,767)	(2,728)
Precepts	7,785	7,052
Taxation and non-specific grant income	(148,147)	(145,253)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>17,204</b>	<b>19,606</b>

**1.7 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2017/2018

Usable Reserves

	General Fund Balance £'000	Usable Capital Receipts £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive I&amp;E Statement:</u>				
Charges for depreciation and impairment of non-current assets	10,373	0	0	(10,373)
Revaluation losses on PPE	3,388	0	0	(3,388)
Movement in the fair value of Investment Properties	249	0	0	(249)
Capital grants and contributions applied	(4,570)	0	0	4,570
Revenue expenditure funded from capital under statute	1,681	0	0	(1,681)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal on the Comprehensive I&E Statement	3,392	0	0	(3,392)
<u>Insertion of items not debited or credited on the Comprehensive I&amp;E Statement:</u>				
Statutory provision for the financing of capital investment	(2,785)	0	0	2,785
Capital expenditure charged against the General Fund	(1,280)	0	0	1,280
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(932)	0	932	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(27)	27
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	(1,749)	1,749	0	0
Use of Capital Receipts to finance new capital expenditure	0	(1,114)	0	1,114
Contribution from the Capital Receipts Reserve to finance administrative costs of non-current asset disposals	31	(31)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0

<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(188)	0	0	188
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	16	0	0	(16)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	18,965	0	0	(18,965)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,083)	0	0	8,083
<b>Adjustments involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive I&E Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	25	0	0	(25)
<b>Total Adjustments</b>	<b>18,533</b>	<b>604</b>	<b>905</b>	<b>(20,042)</b>

**2016/2017**

	<b>Usable Reserves</b>				<b>Unusable Reserves</b>
	<b>General Fund Balance</b>	<b>Usable Capital Receipts</b>	<b>Capital Grants Unapplied</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments involving the Capital Adjustment Account:</b>					
<u>Reversal of items debited or credited to the Comprehensive I&amp;E Statement:</u>					
Charges for depreciation and impairment of non-current assets	9,342	0	0	(9,342)	
Revaluation losses on PPE	10,517	0	0	(10,517)	
Movement in the fair value of Investment Properties	(149)	0	0	149	
Capital grants and contributions applied	(5,471)	0	0	5,471	
Revenue expenditure funded from capital under statute	1,964	0	0	(1,964)	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal on the Comprehensive I&E Statement	2,798	0	0	(2,798)	
<u>Insertion of items not debited or credited on the Comprehensive I&amp;E Statement:</u>					
Statutory provision for the financing of capital investment	(2,812)	0	0	2,812	
Capital expenditure charged against the General Fund	(1,180)	0	0	1,180	
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(528)	0	528	0	

Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(427)	427
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	(3,704)	3,704	0	0
Use of Capital Receipts to finance new capital expenditure	0	(2,356)	0	2,356
Contribution from the Capital Receipts Reserve to finance administrative costs of non-current asset disposals	18	(18)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	63	0	0	(63)
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	85	0	0	(85)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	13,721	0	0	(13,721)
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,959)	0	0	7,959
<b>Adjustments involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive I&E Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	608	0	0	(608)
<b>Total Adjustments</b>	<b>17,313</b>	<b>1,330</b>	<b>101</b>	<b>(18,744)</b>

## 1.8 EARMARKED RESERVES AND DELEGATED SCHOOLS BALANCES

A summary of the earmarked reserves set up by the Council is set out below:

	Restated 31/03/16 Balance £'000	Restated Transfer to £'000	Restated Transfer from £'000	Restated 31/03/17 Balance £'000	Transfer to £'000	Transfer from £'000	31/03/18 Balance £'000
Contingency	332	400	(76)	656	0	(600)	56
Growth Deal	0	0	0	0	150	0	150
National Eisteddfod 2020	0	0	0	0	200	0	200
<b>Leadership Group</b>	<b>332</b>	<b>400</b>	<b>(76)</b>	<b>656</b>	<b>350</b>	<b>(600)</b>	<b>406</b>
Legal & Democratic	355	0	0	355	0	(100)	255
<b>Legal &amp; Democratic</b>	<b>355</b>	<b>0</b>	<b>0</b>	<b>355</b>	<b>0</b>	<b>(100)</b>	<b>255</b>
Local Development Plan	285	0	0	285	0	0	285
Performance & Economy	247	0	0	247	0	0	247
Food Centre Wales (Horeb)	304	0	(87)	217	0	0	217
<b>Performance &amp; Economy</b>	<b>836</b>	<b>0</b>	<b>(87)</b>	<b>749</b>	<b>0</b>	<b>0</b>	<b>749</b>
Corporate Capital	1,459	0	(250)	1,209	97	0	1,306
Corporate Capital Vehicle Replacement *				2,306	1,149	(418)	3,037
Corporate - Joint Arrangements	40	0	(9)	31	0	(16)	15
Funding Equalisation	978	0	0	978	0	0	978
Corporate Redundancy	924	0	(121)	803	0	0	803
Insurance all risks	301	0	0	301	0	0	301
Finance - General	221	0	0	221	0	0	221
<b>Finance</b>	<b>3,923</b>	<b>0</b>	<b>(380)</b>	<b>5,849</b>	<b>1,246</b>	<b>(434)</b>	<b>6,661</b>
Human Resources & Corporate Health & Safety	105	0	0	105	0	(9)	96
<b>Human Resources &amp; Corporate Health &amp; Safety</b>	<b>105</b>	<b>0</b>	<b>0</b>	<b>105</b>	<b>0</b>	<b>(9)</b>	<b>96</b>
Families & Children	15	0	0	15	0	(15)	0
<b>Families &amp; Children</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>(15)</b>	<b>0</b>
Independent Community Equipment Service (ICES)	27	0	(1)	26	0	(26)	0
Adult Social Care Projects	34	0	(34)	0	0	0	0
Community Care	115	0	(115)	0	0	0	0
<b>Adult &amp; Commissioned</b>	<b>176</b>	<b>0</b>	<b>(150)</b>	<b>26</b>	<b>0</b>	<b>(26)</b>	<b>0</b>
ICT & Customer	155	0	(21)	134	0	0	134
<b>ICT &amp; Customer</b>	<b>155</b>	<b>0</b>	<b>(21)</b>	<b>134</b>	<b>0</b>	<b>0</b>	<b>134</b>
Lifestyle Services	290	0	0	290	0	(144)	146
Sewage Treatment Works Improvement Programme	564	0	0	564	0	(10)	554
<b>Lifestyle</b>	<b>854</b>	<b>0</b>	<b>0</b>	<b>854</b>	<b>0</b>	<b>(154)</b>	<b>700</b>
Education Penweddig PFI	1,938	0	(842)	1,096	750	(512)	1,334
Delegated Schools Budget - Primary	1,677	192	(413)	1,456	318	(221)	1,553
Delegated Schools Budget - Secondary	278	223	(435)	66	289	(40)	315
Delegated Schools Budget - All Through	(15)	249	(46)	188	123	(231)	80
Insurances - Supply Cover	91	0	0	91	0	(47)	44
Developing Education in Ceredigion Learning	2,498	0	(1,112)	1,386	1,200	(649)	1,937
School Days	246	98	0	344	0	(35)	309
<b>Learning</b>	<b>6,743</b>	<b>762</b>	<b>(2,848)</b>	<b>4,657</b>	<b>2,680</b>	<b>(1,735)</b>	<b>5,602</b>
Policy Support	131	0	0	131	0	0	131
<b>Policy Support</b>	<b>131</b>	<b>0</b>	<b>0</b>	<b>131</b>	<b>0</b>	<b>0</b>	<b>131</b>
Technical	473	0	0	473	0	(303)	170
Waste Transfer Facilities/Equipment *	2,352	584	(630)				
Renewable Energy	35	8	(2)	41	0	(4)	37
Corporate Passenger Transport Unit	424	38	(125)	337	90	(6)	421

	Restated 31/03/16 Balance £'000	Restated Transfer to £'000	Restated Transfer from £'000	Restated 31/03/17 Balance £'000	Transfer to £'000	Transfer from £'000	31/03/18 Balance £'000
School Transport - School Days	45	0	0	45	0	0	45
Winter Maintenance/Storm Repairs	397	0	0	397	0	(120)	277
Environmental & Flood Protection	277	0	0	277	0	(50)	227
Civil Parking Enforcement Reserve	16	14	0	30	6	0	36
<b>Technical</b>	<b>4,019</b>	<b>644</b>	<b>(757)</b>	<b>1,600</b>	<b>96</b>	<b>(483)</b>	<b>1,213</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>17,644</b>	<b>1,806</b>	<b>(4,319)</b>	<b>15,131</b>	<b>4,372</b>	<b>(3,556)</b>	<b>15,947</b>

\* This reserve has transferred from Technical Services to Finance.

The balance on the Total Earmarked Reserves increased by £816k in 2017/18 and reduced by £2,513k in 2016/17. Some earmarked reserves were realigned during the year and the 2016/17 balances have been restated.

## NOTES TO THE EARMARKED RESERVES

### Corporate Capital

This reserve will be used for making a revenue contribution to the Council's Capital Programme.

### Corporate Capital Vehicle Replacement

This reserve represents monies set aside to fund new vehicles

### Education Penweddig PFI

This reserve has been set up as the cumulative budget settlement initially exceeded the annual payments under the contract.

### Delegated Schools Budget

The amounts included in reserves and balances are held by schools, and are not available to the Council for general use.

### Developing Education in Ceredigion

This reserve has been earmarked to fund the 21 Century schools grant programme which will contribute to the development of Henry Richard all-through school in Tregaron and the extensions at Llanilar and Comins Coch Primary Schools in 2018/19 and continue to fund project within the Band B Programme over future years.

### Other Reserves

All the other reserves are held by the respective services for the specific purpose named. They have been established from savings generated in past financial years to meet one off non-recurring expenditure or will assist services in managing their budgets in any particular financial year.

## 1.9 OTHER OPERATING EXPENDITURE

	2017/18 £'000	2016/17 £'000
Community Council Precepts	964	918
Dyfed Powys Police Precept	6,821	6,134
Levies	3,837	3,704
Loss/(Gain) on the disposal of non-current assets	1,461	(858)
<b>Total</b>	<b>13,083</b>	<b>9,898</b>

**1.10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable and other charges	5,890	6,007
Pensions interest cost and expected return on pensions assets	2,380	2,371
Interest receivable and similar income	(55)	(77)
Deficit on Trading Operations	36	32
Income and Expenditure in relation to Investment Properties	(292)	(266)
Surplus/deficit on sale of Investment Properties	25	32
Changes to fair value on Investment Properties	249	(58)
<b>Total</b>	<b><u>8,233</u></b>	<b><u>8,041</u></b>

**1.11 TAXATION AND NON SPECIFIC GRANT INCOME**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Council tax income	44,708	42,244
Non domestic rates	25,300	23,699
Non-ringfenced government grants (RSG)	72,637	73,311
Capital grants and contributions	5,502	5,999
<b>Total</b>	<b><u>148,147</u></b>	<b><u>145,253</u></b>

**Council Tax**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands, based on estimated 1<sup>st</sup> April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Ceredigion County Council, Town and Community Councils, and the Dyfed Powys Police Authority for the forthcoming year and dividing this amount 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 - £31,893.64 for 2017/18 (£30,660.60 in 2016/17).

**Council Tax Base for Ceredigion County Council 2017/18**

Tax Base (@ 98.5% collection rate)

<u>Band</u>	<u>Tax Base</u>
A*	2.32
A	1,096.80
B	3,088.58
C	5,651.05
D	6,470.22
E	9,360.84
F	4,603.75
G	1,420.05
H	158.09
I	41.94
<b>Total Tax Base</b>	<b>31,893.64</b>



The basic Council Tax amount for Band D property is £1,412.74 in 2017/18 (£1,353.68 in 2016/17) and is multiplied by the proportion specified for each particular band to give the individual amount per band. Council Tax bills were based on the following multipliers, Bands A\* to I:

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

Analysis of the net proceeds from Council Tax:

	2017/18	2016/17
	£'000	£'000
Council Tax Collected	44,731	42,274
Less:		
(Increase)/Decrease Provision for Non-payment	(23)	(30)
<b>Net Proceeds from Council Tax</b>	<b>44,708</b>	<b>42,244</b>

The net proceeds can be analysed as follows:

	2017/18	2016/17
	£'000	£'000
Ceredigion County Council	36,922	35,192
Precept for Dyfed Powys Police Authority	6,821	6,134
Precept for Town and Community Councils	965	918
	<b>44,708</b>	<b>42,244</b>

### National Non-Domestic Rates (NNDR)

NNDR is operated on a national basis. The Welsh Government specifies an amount for the rate which was 49.9p in 2017/18 (48.6p in 2016/17), and local businesses pay rates calculated by multiplying their rateable value 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 Welsh Government (WG). The WG redistributes the sums payable back to Local Authorities on the basis of a fixed amount per head of population over 18 years old.

The NNDR income, after relief and provisions, of £18,997,645 for 2017/18 (£16,787,849 for 2016/17), was based on a rateable value at the time of billing. The average rateable value for 2017/18 was £55,344,977 (£52,683,083 for 2016/17). As at 31 March 2018 the rateable value was £55,716,171 (£53,487,333 as at 31 March 2017). New rateable values for non-domestic properties were introduced from 1 April 2017.

Analysis of the Net Proceeds from Non-Domestic Rates:

	2017/18	2016/17
	£'000	£'000
Non-Domestic Rates Collectable	18,998	16,788
Less:		
Cost of Collection	(196)	(190)
Bad and Doubtful Debts	(52)	(19)
Payment into National Pool	18,750	16,579
<b>Redistribution from National Pool</b>	<b>25,300</b>	<b>23,699</b>

**1.12 GRANT INCOME****Revenue Grants - Credited to Services:**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
WG - Post 16 Funding	3,500	3,623
WG - Educational Improvement Grant	3,032	3,083
WG - Supporting People Grant	2,942	2,942
WG - Sustainable Waste Management	1,731	1,794
WG - Flying Start Grant	1,103	1,089
WG - Concessionary Fares Grant	552	683
WG - Families First	651	627
WG - Bus Grant	666	579
WG - Welsh Independent Living Grant	575	512
DWP - Housing Benefit Subsidy	18,094	18,004
DWP - Housing Benefit Admin Grants	258	265
Other Government Grants and contributions	9,329	7,841
<b>Total Government Grants in Net Cost of Services</b>	<b><u>42,433</u></b>	<b><u>41,042</u></b>

**Capital Grants and Contributions - Credited to Taxation and Non-Specific Grant Income:**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
WG - 3-19 School Llandysul	821	723
WG - General Capital Grant	1,760	1,776
WG - A486 Post Bach - Synod Inn	0	1,014
WG - Drefach School	0	989
WG - Road Improvements	1,191	0
HLF - Ceredigion Museum - New Approaches	436	377
Other Grants	1,294	1,120
	<b><u>5,502</u></b>	<b><u>5,999</u></b>

**1.13 PROPERTY, PLANT AND EQUIPMENT**

Movements in 2017/2018:

	Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction (AUC) £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>							
At 31 March 2017	210,633	17,420	142,570	1,644	322	5,610	378,199
Additions	913	1,202	3,090	0	0	2,452	7,657
Revaluation increases/(decreases) in the Revaluation Reserve	1,787	0	0	508	(15)	0	2,280
Revaluation increases/(decreases) in the Surplus/Deficit on the Provision of Services	(4,850)	0	0	(53)	0	510	(4,393)
Derecognition-disposals	(2,568)	(171)	0	0	0	0	(2,739)
Derecognition-other	65	(56)	98	0	0	0	107
Assets reclassified (to) /from Held for Sale	39	0	0	0	40	0	79
Assets reclassified to /from AUC	6,375	0	0	0	0	(6,375)	0
Other movements	1,731	1	(191)	(1,583)	0	(1)	(43)
<b>At 31 March 2018</b>	<b>214,125</b>	<b>18,396</b>	<b>145,567</b>	<b>516</b>	<b>347</b>	<b>2,196</b>	<b>381,147</b>
<b>Accumulated Depreciation and Impairment</b>							
At 31 March 2017	(12,349)	(11,050)	(16,030)	0	(129)	0	(39,558)
Depreciation charge	(5,635)	(1,252)	(2,630)	0	(9)	0	(9,526)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	430	0	0	0	0	0	430
Impairment (losses)/reversals in the Revaluation Reserve	(548)	0	0	0	0	0	(548)
Impairment (losses)/reversals in the Surplus/Deficit on the Provision of Services	(146)	(56)	0	35	0	0	(167)
Derecognition-disposals	157	93	0	0	0	0	250
Derecognition-other	(65)	56	(98)	0	0	0	(107)
Other movements	35	0	3	(35)	1	0	4
<b>At 31 March 2018</b>	<b>(18,121)</b>	<b>(12,209)</b>	<b>(18,755)</b>	<b>0</b>	<b>(137)</b>	<b>0</b>	<b>(49,222)</b>
<b>Net Book Value</b>							
<b>At 31 March 2018</b>	<b>196,004</b>	<b>6,187</b>	<b>126,812</b>	<b>516</b>	<b>210</b>	<b>2,196</b>	<b>331,925</b>
<b>At 31 March 2017</b>	<b>198,284</b>	<b>6,370</b>	<b>126,540</b>	<b>1,644</b>	<b>193</b>	<b>5,610</b>	<b>338,641</b>

Movements in 2016/2017:

	Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction (AUC) £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>							
At 31 March 2016	192,585	16,513	139,133	1,278	487	26,185	376,181
Additions	1,865	542	3,433	364	0	7,769	13,973
Revaluation increases/(decreases) in the Revaluation Reserve	2,888	0	0	2	(20)	0	2,870
Revaluation increases/(decreases) in the Surplus/Deficit on the Provision of Services	(7,691)	24	0	0	(11)	0	(7,678)
Derecognition-disposals	(1,680)	(272)	0	0	(199)	(96)	(2,247)
Derecognition-other	1,352	3	5	0	0	0	1,360
Assets reclassified (to) /from Held for Sale	(2,658)	0	0	0	(3,290)	0	(5,948)
Assets reclassified to /from AUC	28,224	0	0	0	0	(28,224)	0
Other movements	(4,252)	610	(1)	0	3,355	(24)	(312)
<b>At 31 March 2017</b>	<b>210,633</b>	<b>17,420</b>	<b>142,570</b>	<b>1,644</b>	<b>322</b>	<b>5,610</b>	<b>378,199</b>
<b>Accumulated Depreciation and Impairment</b>							
At 31 March 2016	(6,083)	(10,128)	(13,527)	0	(198)	0	(29,936)
Depreciation charge	(5,384)	(1,154)	(2,498)	0	(14)	0	(9,050)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,382	6	0	0	4	0	1,392
Impairment (losses)/reversals in the Revaluation Reserve	(900)	0	(2)	0	0	0	(902)
Impairment (losses)/reversals in the Surplus/Deficit on the Provision of Services	(212)	3	2	0	0	0	(207)
Derecognition-disposals	2	226	0	0	77	0	305
Derecognition-other	(1,352)	(3)	(5)	0	0	0	(1,360)
Other movements	198	0	0	0	2	0	200
<b>At 31 March 2017</b>	<b>(12,349)</b>	<b>(11,050)</b>	<b>(16,030)</b>	<b>0</b>	<b>(129)</b>	<b>0</b>	<b>(39,558)</b>
<b>Net Book Value</b>							
<b>At 31 March 2017</b>	<b>198,284</b>	<b>6,370</b>	<b>126,540</b>	<b>1,644</b>	<b>193</b>	<b>5,610</b>	<b>338,641</b>
<b>At 31 March 2016</b>	<b>186,502</b>	<b>6,385</b>	<b>125,606</b>	<b>1,278</b>	<b>289</b>	<b>26,185</b>	<b>346,245</b>

**Depreciation**

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

- Other Land and Buildings – 1-99 years
- Vehicles, Plant, Furniture and Equipment – 1-20 years
- Infrastructure – 10-99 years

Assets held under Finance Leases are depreciated on a straight line basis over the unexpired term of the existing lease.

**Revaluations**

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value are revalued at least every five years. All valuations are carried out internally. The assets revalued by the Council's valuer, Mr N Hinchcliffe FRICS in 2017/18 were Miscellaneous Land Assets. All properties were inspected. Valuations of land and buildings are 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 and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Historic cost is a reasonable proxy for fair value
- Vehicles, plant and equipment asset lives are based on the leasing periods the Council uses for vehicles or equipment of that specific type
- Residual values for vehicles, plant and equipment assets are 10% of the initial cost for vehicles and other equipment has no residual value

The following statement shows the progress of the Council's rolling programme for the revaluation of Property, Plant and Equipment:

	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Surplus Assets £'000</b>
Carried at historical cost:	17	18,396	182
Valued at fair value as at:			
31 March 2018	15,811	0	70
31 March 2017	54,291	0	95
31 March 2016	115,809	0	0
31 March 2015	24,469	0	0
31 March 2014	3,728	0	0
<b>TOTAL</b>	<b>214,125</b>	<b>18,396</b>	<b>347</b>

**1.14 INVESTMENT PROPERTY**

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

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Rental income from investment property	965	983
Direct operating expenses arising from investment property	(673)	(717)
<b>Net gain/(loss)</b>	<b><u>292</u></b>	<b><u>266</u></b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start of the year	17,599	17,928
Additions:		
Subsequent expenditure	91	91
Disposals	(67)	(724)
Net gains/(losses) from fair value investments	(249)	149
Transfers (to)/from Property, Plant and Equipment	41	246
Other changes	0	(91)
<b>Balance at the end of year</b>	<b><u>17,415</u></b>	<b><u>17,599</u></b>

**1.15 HERITAGE ASSETS**

<b>Cost or Valuation</b>	<b>Historic Land &amp; Buildings</b>	<b>Museums</b>	<b>Artwork</b>	<b>Civic Regalia</b>	<b>Museum Exhibits</b>	<b>Total Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>1st April 2016</b>	<b>1,154</b>	<b>1,083</b>	<b>95</b>	<b>70</b>	<b>54</b>	<b>2,456</b>
Additions	0	441	0	0	0	441
Disposals	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0
<b>31st March 2017</b>	<b><u>1,154</u></b>	<b><u>1,524</u></b>	<b><u>95</u></b>	<b><u>70</u></b>	<b><u>54</u></b>	<b><u>2,897</u></b>
<b>Cost or Valuation</b>						
<b>1st April 2017</b>	<b>1,154</b>	<b>1,524</b>	<b>95</b>	<b>70</b>	<b>54</b>	<b>2,897</b>
Additions	0	546	0	0	0	546
Disposals	0	0	0	0	0	0
Revaluations	0	(62)	0	(5)	0	(67)
<b>31st March 2018</b>	<b><u>1,154</u></b>	<b><u>2,008</u></b>	<b><u>95</u></b>	<b><u>65</u></b>	<b><u>54</u></b>	<b><u>3,376</u></b>

Further information on the Council's Heritage Assets is available in the Accounting Policies section of the Statement of Accounts (Note 1.2 – Part xii).

**1.16 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS****Fair Value Hierarchy**

<b>Category / Sub Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value as at 31/03/2018</b>
Assets Held for Sale	90	1,225	145	1,460
Corporate Estate	0	0	11,616	11,616
Empty Property	0	0	819	819
Industrial Estate	0	0	879	879
Investment Properties	0	0	3,290	3,290
Investment Properties Held for Sale	0	0	0	0
Kiosks	0	0	326	326
Leased Building	0	0	173	173
Mart	0	0	170	170
Pier Building	0	0	63	63
Surplus Property	0	0	80	80
Surplus	0	46	163	209
	<b>90</b>	<b>1,271</b>	<b>17,724</b>	<b>19,085</b>

<b>Category / Sub Category</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value as at 31/03/2017</b>
Assets Held for Sale	0	135	2,063	2,198
Corporate Estate	0	0	11,687	11,687
Empty Property	0	0	850	850
Industrial Estate	0	0	843	843
Investment Properties	0	0	3,335	3,335
Investment Properties Held for Sale	0	0	16	16
Kiosks	0	0	337	337
Leased Building	0	0	231	231
Mart	0	0	170	170
Pier Building	0	0	50	50
Surplus Property	0	0	80	80
Surplus	0	118	75	193
	<b>0</b>	<b>253</b>	<b>19,737</b>	<b>19,990</b>

**Transfers between Levels of Fair Value Hierarchy**

There were no transfers between Levels 1 and 2 during 2017/18.

**Valuation Techniques used to Determine level 2 and 3 Fair Values for Investment Properties***Significant Observable Inputs – Level 2*

The fair value for these assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local Council area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

**Significant Unobservable Inputs – Level 3**

The fair value of these assets has been based on the capitalised income received using the Council's own data, but also, where necessary, using a market approach using current market conditions of recent sales/lettings for similar assets in the local Council area.

**Highest and Best Use of the Investment Properties**

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

**Valuation Techniques**

There has been no change in the valuation techniques used during the year for investment properties.

**Reconciliation of Fair Value Measurements Categorised within Level 3 of the Fair Value Hierarchy**

	2017/18	2016/17
	£'000	£'000
Opening Balance	19,737	17,129
Transfers into Level 3	373	7,304
Transfers out of Level 3	(1,289)	(91)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(15)	(20)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(273)	(4,081)
Additions	0	91
Disposals	(808)	(594)
Depreciation charge	(1)	(1)
Closing Balance	<u>17,724</u>	<u>19,737</u>

**Closing Balance**

Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

**Quantitative Information about Fair Values Measurement of Investment Properties using Significant Unobservable Inputs – Level 3**

Sub Category	As at 31/03/2018 £'000	Valuation technique used to measure fair value
Commercial	17,724	Valuation based on the market rent passing or terms agreed for the property
	<u>17,724</u>	

**Valuation Process for Investment Properties**

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuers work closely with finance officers reporting on a regular basis regarding all valuation matters.



**1.17 FINANCIAL INSTRUMENTS**

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	31/03/18	31/03/17	31/03/18	31/03/17
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and Receivables	0	0	9,022	5,035
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>9,022</b>	<b>5,035</b>
	Long Term		Current	
	31/03/18	31/03/17	31/03/18	31/03/17
	£'000	£'000	£'000	£'000
<b>Debtors</b>				
Loans and Receivables	2,131	1,987	0	0
Financial Assets carried at contract value	0	0	14,142	13,603
<b>Total Debtors</b>	<b>2,131</b>	<b>1,987</b>	<b>14,142</b>	<b>13,603</b>
	Long Term		Current	
	31/03/18	31/03/17	31/03/18	31/03/17
	£'000	£'000	£'000	£'000
<b>Borrowings</b>				
Financial Liabilities at amortised cost	115,549	108,023	3,189	6,988
<b>Total Borrowings</b>	<b>115,549</b>	<b>108,023</b>	<b>3,189</b>	<b>6,988</b>
	Long Term			
	31/03/18	31/03/17		
	£'000	£'000		
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	5,720	6,345		
<b>Total Other Long Term Liabilities</b>	<b>5,720</b>	<b>6,345</b>		
	Long Term		Current	
	31/03/18	Restated 31/03/17	31/03/18	Restated 31/03/17
	£'000	£'000	£'000	£'000
<b>Creditors</b>				
Financial Liabilities at amortised cost	171	171 *	19,522	19,511 *
<b>Total Creditors</b>	<b>171</b>	<b>171</b>	<b>19,522</b>	<b>19,511</b>

\* The 2016/17 figures have been restated due to corrections to the figures.

**Income, Expense, Gains and Losses**

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

	2017/2018			2016/2017		
	Financial Liabilities at amortised cost	Financial Assets: Loans & Receivables	Total	Financial Liabilities at amortised cost	Financial Assets: Loans & Receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	5,871	0	5,871	6,053	0	6,053
Fee expense	85	0	85	9	0	9
<b>Total expense in Surplus/Deficit on the Provision of Services</b>	<b>5,956</b>	<b>0</b>	<b>5,956</b>	<b>6,062</b>	<b>0</b>	<b>6,062</b>
Interest Income	0	(126)	(126)	0	(145)	(145)
Interest income accrued on impaired financial assets	0	0	0	0	0	0
<b>Total income in Surplus/Deficit on the Provision of Services</b>	<b>0</b>	<b>(126)</b>	<b>(126)</b>	<b>0</b>	<b>(145)</b>	<b>(145)</b>
<b>Net (gain)/loss for the year</b>	<b>5,956</b>	<b>(126)</b>	<b>5,830</b>	<b>6,062</b>	<b>(145)</b>	<b>5,917</b>

**Fair values of Financial assets and liabilities that are not measured at Fair Value**

The fair values calculated are as follows:

<u>Financial Liabilities</u>	31 March 2018		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities (All - Premature Repayment rates)	118,738	179,631	115,011	180,362
Financial Liabilities (All - New Loans rate)	118,738	155,339	115,011	156,489
Financial Liabilities (PWLB loans only - Premature Repayment rate)	108,984	167,425	107,957	168,749
Financial Liabilities (PWLB loans only - New Loans rate)	108,984	145,503	107,957	147,067

Valuation of PWLB loans: For loans from the PWLB, fair value estimates have been provided using both redemption and new borrowing (certainty rate) discount rates.

Valuation of non-PWLB loans: For non-PWLB loans, fair value estimates have been provided using both PWLB redemption and new market loan rates.

The valuation basis adopted uses **Level 2 Inputs** - i.e. inputs other than quoted prices that are observable for the Financial Liability.

The fair value is higher than the carrying amount because the Council's portfolio includes loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

PWLB loans:

The commitment to pay interest above current market rates increases the amount that the Council would have to pay if PWLB requested or agreed to early repayment of the loans (Premature Repayment rate). The Council 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 Council 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 (New loans rate).

The following assumptions have been used in the fair value calculations:

- Interest is calculated using the most common market convention, ACT/365
- For fixed term deposits, interest is received on maturity, or annually if duration greater than 1 year.
- Interest is not paid/received on the start date of an instrument, but is paid/received on the maturity date.
- The discount rates were obtained from the market on 31 March 2018, using bid prices where applicable.

Other assumptions made about the fair values of financial assets and financial liabilities:

- the fair value of payables and receivables (Short Term Creditors and Debtors) is taken to be the invoiced or billed amount.
- the fair value of loans and receivables have been calculated and are not materially different to the carrying value.

**1.18 CAPITAL COMMITMENTS**

The Council is currently committed to the following large Capital Schemes in 2018/19:

<b>Purpose:</b>	
21 <sup>st</sup> Century Schools Programme (Phase 1)	Bro Teifi 3-19 School in Llandysul was complete and opened in September 2016 and Dyffryn Cledlyn Primary school in Drefach was complete and opened in September 2017. The final element of Phase 1 is building a new Primary wing and refurbishing part of the Secondary school site at Henry Richard 3-16 School in Tregaron for which WRW Construction Ltd have been appointed. It is anticipated that the Henry Richard primary wing will be complete in order for the Primary pupils to relocate from their current location to the new build in September 2018 and the remaining work will be complete by March 2019.
21 <sup>st</sup> Century Schools Programme (Phase 2)	To build an extension at Llanilar primary to accommodate the pupils being taught in the main hall and build an extension in order to ensure sufficient toilet facilities are available in Comins Coch School, both projects will be complete by the end of March 2019
Sewage Treatment Works (STWs)	To bring the STWs that the Council retained post stock transfer up to the relevant Welsh Water standards with the aim of getting them adopted by Welsh Water as soon as practically possible. Phases 1 to 9 are complete, Phase 10 was in progress as at 31/03/2018 and a contract for Phase 11 has been awarded.
Local Transport Fund and Safe Routes in Communities	To provide safe routes (footways etc.) in communities and provide infrastructure to support Active Travel.
Street Lighting Programme	To replace old street lamps with new efficient street lighting.

	<b>Budget in 2018/19</b>	<b>Total Project Costs</b>	<b>Contractor Contract Costs</b>	<b>Period of Investment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
21 <sup>st</sup> Century Schools Programme (Phase 1)	3,593	39,200	29,500	5 years
21 <sup>st</sup> Century Schools Programme (Phase 2)	844	913	913	2 years
Sewage Treatment Works (STWs)	1,095	6,109	3,224	10 years
Local Transport Fund and Safe Routes in Communities	1,117	1,317	249	2 years
Street Lighting Programme	738	1,163	350	3 years

**1.19 LOCAL GOVERNMENT ACT 2003 SECTIONS 16(2)(b) and 20: TREATMENT OF CERTAIN COSTS AS CAPITAL EXPENDITURE**

The Council has used flexibility in the use of capital receipts under guidance and direction issued by Welsh Government for 2017/18. This has enabled the Council to capitalise certain qualifying revenue expenditure. The following projects have made use of the guidance and direction:

<u>Project</u>	<b>Expenditure</b>	
	<b>Expenditure incurred in year</b>	<b>Capitalised and funded through Capital Receipts</b>
	<b>£'000</b>	<b>£'000</b>
Social Care Service Redesign	160	160
Technical Services Redesign	101	101
Customer Services Transformation	179	179
Smarter Working (including Building rationalisation)	115	115
	<b>555</b>	<b>555</b>

**1.20 DEBTORS**

	<b>31/03/18</b>	<b>31/03/17</b>
	<b>£'000</b>	<b>£'000</b>
Central Government Bodies	7,034	7,800
Impairment Allowance	(17)	(28)
<b>Central Government Bodies</b>	<b>7,017</b>	<b>7,772</b>
Other Local Authorities	2,517	2,073
Impairment Allowance	(225)	(280)
<b>Other Local Authorities</b>	<b>2,292</b>	<b>1,793</b>
NHS Bodies	737	1,099
Impairment Allowance	(226)	(292)
<b>NHS Bodies</b>	<b>511</b>	<b>807</b>
Public corporations and trading funds	10	12
Impairment Allowance	0	0
<b>Public corporations and trading funds</b>	<b>10</b>	<b>12</b>
Other entities and individuals	7,882	8,141
Impairment Allowance	(1,456)	(996)
<b>Other entities and individuals</b>	<b>6,426</b>	<b>7,145</b>
<b>Total</b>	<b>16,256</b>	<b>17,529</b>

**1.21 CASH AND CASH EQUIVALENTS**

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

	<b>31/03/18</b>	<b>31/03/17</b>
	<b>£'000</b>	<b>£'000</b>
Cash held by the Council	34	34
Bank current accounts	(3,229)	(2,568)
Short-term deposits with banks/building societies/other financial institutions	9,119	5,855
<b>Total Cash and Cash Equivalents</b>	<b>5,924</b>	<b>3,321</b>

The Bank current accounts include all outstanding cheques.

**1.22 CREDITORS**

	<b>31/03/18</b>	<b>31/03/17</b>
	<b>£'000</b>	<b>£'000</b>
Central Government Bodies	2,403	2,190
Other Local Authorities	1,100	1,011
NHS Bodies	202	284
Public corporations and trading funds	0	31
Other entities and individuals	16,264	16,860
<b>Total</b>	<b><u>19,969</u></b>	<b><u>20,376</u></b>

**1.23 BORROWING**

The Council's long term borrowing is mainly from the Public Works Loan Board (PWLB). The loans are analysed by maturity with the interest rates ranging between 1.97% and 10.25%.

An analysis of loans by maturity:

	<b>31/03/18</b>	<b>31/03/18</b>	<b>31/03/18</b>	<b>31/03/17</b>	<b>31/03/17</b>	<b>31/03/17</b>
	<b>PWLB</b>	<b>OTHER</b>	<b>TOTAL</b>	<b>PWLB</b>	<b>OTHER</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Maturing within one year</b>	<b>3,189</b>	<b>0</b>	<b>3,189</b>	<b>6,988</b>	<b>0</b>	<b>6,988</b>
<b>Long Term Borrowing</b>						
Maturing in 1 – 2 years	1,018	0	1,018	990	0	990
Maturing in 2 – 5 years	15,169	0	15,169	8,369	0	8,369
Maturing in 5 – 10 years	11,169	0	11,169	17,686	0	17,686
Maturing in 10 – 15 years	12,539	1,794	14,333	11,350	1,294	12,644
Maturing in 15 – 20 years	21,581	0	21,581	12,353	0	12,353
Maturing in 20 – 25 years	5,623	0	5,623	15,148	0	15,148
Maturing in 25 – 30 years	11,396	0	11,396	5,573	0	5,573
Maturing in 30 – 35 years	7,500	0	7,500	2,000	0	2,000
Maturing in 35 – 40 years	14,000	0	14,000	13,500	0	13,500
Maturing in 40 – 45 years	8,000	0	8,000	14,000	0	14,000
45+ years	0	5,760	5,760	0	5,760	5,760
<b>Total Long Term Borrowing</b>	<b>107,995</b>	<b>7,554</b>	<b>115,549</b>	<b>100,969</b>	<b>7,054</b>	<b>108,023</b>

**Loan Restructuring**

No loan restructuring was carried out during 2017/18.

**Welsh Government Grants to be repaid in future years**

The Welsh Government awarded the Council a further £500k in the form of a repayable loan this year; leaving a balance of £1,794k across 3 schemes to be repaid in the future. Although these have been called grants, they have been treated as loans within the Balance Sheet due to the need to pay them back in 10-15 years.

**1.24 OTHER LONG TERM LIABILITIES**

	<b>31/03/18</b>	<b>31/03/17</b>
	<b>£'000</b>	<b>£'000</b>
Finance Lease Liability	641	608
Ysgol Gyfun Penweddig PFI Liability	5,079	5,737
Pension Liability	86,675	99,205
<b>Total</b>	<b><u>92,395</u></b>	<b><u>105,550</u></b>

**1.25 USABLE RESERVES**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 20 and Note 1.8.

**1.26 UNUSABLE RESERVES**

	<b>31/03/18</b>	<b>31/03/17</b>
	<b>£'000</b>	<b>£'000</b>
Revaluation Reserve	64,653	65,887
Capital Adjustment Account	149,612	156,034
Financial Instruments Adjustment Account	706	723
Pensions Reserve	(86,675)	(99,205)
Deferred Capital Receipts Reserve	1,481	1,293
Accumulated Absences Account	(3,158)	(3,133)
<b>Total Unusable Reserves</b>	<b><u>126,619</u></b>	<b><u>121,599</u></b>

The following are an analysis of the most significant Unusable Reserves:

**Revaluation Reserve**

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

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

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

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	65,887	67,812
Upward revaluation of assets	3,671	4,349
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,021)	(2,380)
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<u>1,650</u>	<u>1,969</u>
Difference between fair value depreciation and historical cost depreciation	(2,052)	(2,172)
Accumulated gains on assets sold or scrapped	<u>(832)</u>	<u>(1,722)</u>
Amount written off to the Capital Adjustment Account	<u>(2,884)</u>	<u>(3,894)</u>
<b>Balance at 31 March</b>	<b><u>64,653</u></b>	<b><u>65,887</u></b>

### 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 Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and 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 1.7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	156,034	164,366
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	(10,373)	(9,342)
Revaluation losses on Property, Plant and Equipment	(3,388)	(10,517)
Revenue expenditure funded from capital under statute	(1,681)	(1,964)
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	(3,392)	(2,798)
	<u>(18,834)</u>	<u>(24,621)</u>
Adjusting amounts written out of the Revaluation Reserve	2,883	3,894
Net written out amount of the cost of non-current Assets consumed in the year	<u>(15,951)</u>	<u>(20,727)</u>
<b>Capital financing applied in the year:</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	1,115	2,356
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,570	5,471
Application of grants to capital financing from the Capital Grants Unapplied Account	28	427
Statutory provision for the financing of capital Investment charged against the General Fund	2,785	2,812
Capital expenditure charged against the General Fund	1,280	1,180
	<u>9,778</u>	<u>12,246</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(249)	149
<b>Balance at 31 March</b>	<u><b>149,612</b></u>	<u><b>156,034</b></u>

**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 Council 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 Council 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	(99,205)	(69,814)
Reversing out IAS19 items	(18,965)	(13,721)
Remeasurements	23,412	(23,629)
Pension Costs payable	8,083	7,959
<b>Balance at 31 March</b>	<b><u>(86,675)</u></b>	<b><u>(99,205)</u></b>

**Accumulated Absences Account**

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

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	(3,133)	(2,525)
Settlement or cancellation of accrual made at the end of the preceding year	3,133	2,525
Amounts accrued at the end of the current year	<u>(3,158)</u>	<u>(3,133)</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	(25)	(608)
<b>Balance at 31 March</b>	<b><u>(3,158)</u></b>	<b><u>(3,133)</u></b>

**1.27 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	2017/18 £'000	2016/17 £'000
Interest Paid	(3,244)	(5,617)
Interest Received	112	145

**1.28 TRADING OPERATIONS**

The following services remain as services that are operated by the Council in a commercial environment and are reported separately in the Comprehensive Income and Expenditure Account:

- **Catering** – canteens within office buildings operating at two locations.

The following services remain as services that are operated by the Council in a commercial environment but are included within service lines in the Comprehensive Income and Expenditure Account:

- **Ceredigion Training** – a vocational and skills training centre, which offers advice, guidance and support to help jobseekers/learners acquire and/or update skills to enable them to enter sustainable training and employment and seek lifelong learning opportunities.
- **Residential Homes** – operating at six locations providing beds for frail older people.

	2017/18 Turnover £'000	2017/18 Expenditure £'000	2017/18 Net (Surplus) Deficit £'000	2016/17 Net (Surplus) Deficit £'000
<b>Services</b>				
Catering	96	132	36	32
Ceredigion Training	646	1,039	393	284
Residential Homes	4,492	4,492	0	0
<b>Sub Total</b>	<u>5,234</u>	<u>5,663</u>	<u>429</u>	<u>316</u>

**1.29 MEMBERS' ALLOWANCES**

The Council paid the following amounts to members of the council during the year. Details of individual payments, as required by The Local Authorities (Allowances for Members of County and County Borough and National Park Authorities) (Wales) Regulations 2002 are published in the local press.

	2017/18 £'000	2016/17 £'000
Salaries	765	767
Expenses	31	29
<b>Total</b>	<u>796</u>	<u>796</u>

**1.30 OFFICERS' REMUNERATION**

- The multiple between the median full time equivalent earnings (excluding teachers) and the Chief Executives' maximum salary is **1: 6.6**
- The average full time equivalent earnings of the two officers who held the post of Chief Executive is **£107,635**
- The median full time equivalent earnings of all the Council's employees (excluding teachers) is **£16,491**

The remuneration paid to the Council's senior employees (excluding any election fees paid) is as follows:

**Senior Officers Emoluments - Salary between £60,000 and £150,000**

2017/18

<b>Post Holder Information (Post Title)</b>	<b>Salary (inc. Fees &amp; Allowances)</b>	<b>Compensation for loss of employment</b>	<b>Pension Contributions Employers</b>	<b>Total Remuneration Including Pension Contributions</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive: April 17 to Sept 17 (1)	62,372	0	17,736	<b>80,108</b>
Chief Executive: from Oct 17 (1)	52,443	0	8,116	<b>60,559</b>
Deputy Chief Executive: April 17 to Sept 17 (1)	50,077	0	7,749	<b>57,826</b>
Strategic Director Learning & Partnerships (2) *	94,155	0	14,569	<b>108,724</b>
Strategic Director Care, Protection & Lifestyle	91,155	0	14,104	<b>105,259</b>
Strategic Director Sustainable Communities: Apr 17 to Jun 17 (7)	16,922	0	0	<b>16,922</b>
Head of Lifestyle Services (3)(4)	70,782	55,883	152,578	<b>279,243</b>
Head of Learning Services (3)(5)*	81,071	51,308	12,564	<b>144,943</b>
Head of Performance & Economy	70,782	0	10,947	<b>81,729</b>
Head of Finance	70,782	0	10,947	<b>81,729</b>
Head of Policy Services	70,782	0	10,947	<b>81,729</b>
Head of Technical Services: Apr 17 to Dec 17 (6)	71,244	0	10,435	<b>81,679</b>
Head of ICT & Customer Services	70,640	0	10,947	<b>81,587</b>
Head of Adult & Commissioned Services	67,912	0	10,460	<b>78,372</b>
Head of Families & Children Services	67,500	0	10,460	<b>77,960</b>
Group Manager - Legal Services (3) (4) (8)	70,576	44,507	76,210	<b>191,293</b>
Monitoring Officer	60,576	0	9,387	<b>69,963</b>
Head of Human Resources	60,511	0	9,377	<b>69,888</b>
Group Manager - Democratic Services	60,501	0	9,376	<b>69,877</b>

No benefits in kind were paid to senior officers during 2017/18. Any mileage expenses paid were paid at HMRC rate.

- (1) Following the retirement of the then Chief Executive during September 2017 the Deputy Chief Executive was appointed to the post of Chief Executive from 1st October 2017. The post of Deputy Chief Executive was subsequently deleted.
- (2) Remuneration includes £3,000 honorarium in recognition of the provision of strategic input to Powys County Council's Education and Schools Services.
- (3) Due to a corporate restructure effective from 1st April 2018, the following posts were made redundant on 31st March 2018 with redundancy payments due on termination of post; Head of Learning Services (£51,308), Head of Lifestyle Services (£55,883), Group Manager - Legal Services (£44,507). Redundancy amounts stated are included in the remuneration table above.
- (4) Due to early retirement upon posts becoming redundant, actuarial strain costs are included in the Pensions Contributions amounts for the following posts; Head of Lifestyle Services (£141,631), Group Manager - Legal Services (£66,822)
- (5) Remuneration includes £12,000 honorarium in recognition of the provision of strategic input to Powys County Council's Education and Schools Services.
- (6) Remuneration includes £14,355 honorarium for additional duties at a level equal to that of Strategic Director. The Head of Technical Services retired on 31st December 2017, the post was then deleted.
- (7) Strategic Director - Sustainable Communities retired on 30th June 2017. The post was subsequently deleted.
- (8) Remuneration includes £10,000 honorarium for acting as lead solicitor in the Forge Care Home case on behalf of all local authorities in Wales (except Cardiff).

\* Includes remuneration, funded by Powys County Council, for specialist education services.

**Senior Officers Emoluments - Salary between £60,000 and £150,000  
2016/17**

<b>Post Holder Information (Post Title)</b>	<b>Salary (inc. Fees &amp; Allowances) £</b>	<b>Pension Contributions Employers £</b>	<b>Total Remuneration Including Pension Contributions £</b>
Chief Executive	109,307	16,691	<b>125,998</b>
Deputy Chief Executive (1) *	100,413	15,329	<b>115,742</b>
Strategic Director: Learning & Partnerships (2) *	91,158	13,915	<b>105,073</b>
Strategic Director: Care, Protection & Lifestyle	87,634	13,376	<b>101,010</b>
Strategic Director: Sustainable Communities (3)	84,994	10,811	<b>95,805</b>
Head of Learning Services - from Sep16 (4)*	45,985	7,034	<b>53,019</b>
Head of Finance	70,083	10,693	<b>80,776</b>
Head of ICT & Customer Services	70,083	10,693	<b>80,776</b>
Head of Performance & Improvement Services	70,083	10,693	<b>80,776</b>
Head of Policy Services	70,083	10,693	<b>80,776</b>
Head of Lifestyle Services	70,083	10,693	<b>80,776</b>
Head of Technical Services	70,083	10,693	<b>80,776</b>
Head of Families & Children Services	65,277	9,980	<b>75,257</b>
Head of Adult & Commissioned Services	64,889	9,920	<b>74,809</b>

No benefits in kind were paid to senior officers during 2016/17. Any mileage expenses paid were paid at HMRC rate.

- (1) Remuneration includes £1,250 honorarium in recognition of the provision of strategic input to Education through Regional Working (ERW).
- (2) Remuneration includes £3,000 honorarium in recognition of the provision of strategic input to Powys County Council's Education and Schools Services.
- (3) The Strategic Director - Sustainable Communities reduced to 0.60 FTE under flexible retirement commencing January 2017 until June 2017, upon which the post will terminate.
- (4) Remuneration includes £7,000 honorarium in recognition of the provision of strategic input to Powys County Council's Education and Schools Services.

\* Includes remuneration, funded by Powys County Council, for specialist education services.

The number of employees (not including the senior employees shown separately above) whose remuneration was £60,000 or more, in bands of £5,000 is shown below.

**These amounts do not include any employer's pension contributions paid. They do however include amounts paid to or receivable by the employee for any compensation for loss of employment (4 employees in 2017/18 and 2 employees in 2016/17).**

Remuneration Band	2017/18		2016/17	
	No. of Employees	No. which include Termination Payments	No. of Employees	No. which include Termination Payments
£60,000 - £64,999	5	0	4	0
£65,000 - £69,999	5	2	3	1
£70,000 - £74,999	3	0	2	1
£75,000 - £79,999	5	2	5	0
£80,000 - £84,999	1	0	0	0
<b>TOTAL</b>	<b>19</b>	<b>4</b>	<b>14</b>	<b>2</b>

The Council terminated the contracts of a number of employees in 2017/18, incurring liabilities of £1,646k (£1,359k in 2016/17). The following payments comprising of statutory and voluntary redundancy costs, pension contributions in respect of added years and pension strain and other ex gratia payments.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages in each band	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	no.	no.	no.	no.	no.	no.	£'000	£'000
£0 - £20,000	6	24	35	47	41	71	314	329
£20,001 - £40,000	0	4	12	12	12	16	342	460
£40,001 - £60,000	0	0	5	4	5	4	234	208
£60,001 - £80,000	0	0	1	5	1	5	69	340
£80,001 - £100,000	0	0	1	0	1	0	91	0
£100,001 - £150,000	0	0	3	0	3	0	394	0
£150,001 - £200,000	0	0	1	0	1	0	197	0
<b>Total</b>	<b>6</b>	<b>28</b>	<b>58</b>	<b>68</b>	<b>64</b>	<b>96</b>	<b>1,641</b>	<b>1,337</b>
<b>Add/Minus: Amounts provided for in Comprehensive Income &amp; Expenditure Statement not included in bandings</b>							5	22
<b>Total cost included in the Comprehensive Income &amp; Expenditure Statement</b>							<b>1,646</b>	<b>1,359</b>

**1.31 EXTERNAL AUDIT COSTS**

The following fees relating to external audit and inspection for the 2017/18 financial year are payable by the Council:

	<b>Proposed Fee</b>	<b>Actual Fee</b>
	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Financial Audit Work	154	154
Performance Audit Work	100	100
Grant Certification Work	35	43
Other Financial Audit Work:		
Ceredigion Harbour Authority	<u>2</u>	<u>2</u>
<b>Total</b>	<b><u>291</u></b>	<b><u>299</u></b>

**1.32 RELATED PARTY TRANSACTIONS**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council 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 Council.

**Central Government**

Central government has effective control over the general operations of the Council – 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. council tax bills, housing benefits).

Individual revenue grants received from government departments included within gross income in the Surplus or Deficit on the Provision of Services amount to £42,433k for 2017/18.

**Members and Officers**

The Council has arrangements in place requesting officers and members to identify and disclose related party transactions. There were no related party transactions with members or officers during the year. Members of the Council have direct control over the Council's financial and operating policies. The total of members' salaries paid in 2017/18 is shown in Note 1.29.

**Other Public Bodies**

During the year, other transactions with related parties arose as follows:

	<b>Receipts</b>	<b>Payments</b>
	<b>£'000</b>	<b>£'000</b>
<b>Central Government</b>		
Share of NNDR from National Pool	25,300	0
Revenue Support Grant	72,637	0
<b>Capital Grants</b>		
Welsh Government	4,227	0
<b>Mid and West Wales Fire Authority</b>	0	3,829
<b>Dyfed-Powys Police</b>	0	6,821
<b>Town/Community Councils within</b>	0	964
<b>Ceredigion area</b>		



**1.33 CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>
<i>Opening Capital Financing Requirement</i>	139.4	135.2
<i>Capital investment:</i>		
Property, Plant and Equipment	7.7	14.0
Investment Properties	0.1	0.1
Other	0.5	0.4
Revenue Expenditure Funded from Capital under statute	1.7	2.0
<i>Sources of finance:</i>		
Capital Receipts	(1.1)	(2.4)
Government grants and other contributions	(4.6)	(5.9)
<i>Sums set aside from Revenue:</i>		
Direct Revenue Contributions - General Fund	(1.3)	(1.2)
Minimum Revenue Provision	(2.4)	(2.8)
<i>Closing Capital Financing Requirement</i>	<u><b>140.0</b></u>	<u><b>139.4</b></u>
<i>Explanation of Movements in year:</i>		
Increase in underlying need to borrow (supported)	0.2	2.1
Increase in underlying need to borrow (unsupported)	0.5	2.5
Assets acquired under PFI	(0.1)	(0.3)
Assets acquired under finance leases	0.0	(0.1)
<i>Increase/(decrease) in Capital Financing Requirement</i>	<u><b>0.6</b></u>	<u><b>4.2</b></u>

**1.34 LEASES*****Council as Lessee:*****Finance Leases**

The Council has acquired various buildings, photocopiers, printers, computers and other equipment under finance lease terms. They were carried in the Balance Sheet at the following values:

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Vehicles, plant, furniture and equipment	211	159
Infrastructure	1,076	1,103

The Council is committed to making the following payments under these agreements:

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Finance Lease Liabilities (NPV on minimum payments):		
- Current	98	139
- Non-current	641	575
Finance costs payable in future years	(125)	(154)
Minimum lease payments	<b>614</b>	<b>560</b>

The minimum lease payments will be payable over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	97	91	98	139
Later than one year and not later than five years	161	105	220	127
Later than five years	356	364	421	448
Minimum lease payments	<b>614</b>	<b>560</b>	<b>739</b>	<b>714</b>

### **Operating Leases**

The Council has acquired refuse lorries, vans, minibuses, photocopiers, computers and various other equipment under operating lease terms. The Council is committed to making the following payments under these agreements:

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	312	345
Later than one year and not later than five years	246	453
Later than five years	56	58
Minimum lease payments	<b>614</b>	<b>856</b>

### **Council as Lessor:**

### **Operating Leases**

The Council has leased out its Corporate Estate properties under operating lease terms.

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

	<b>31 March 2018</b>	<b>Restated</b>
	<b>£'000</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	838	726
Later than one year and not later than five years	2,557	2,309
Later than five years	23,537	21,879
Minimum lease payments	<b>26,932</b>	<b>24,914</b>

The 2016/17 figures have been restated due to corrections to the figures.

### 1.35 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

#### Ysgol Gyfun Penweddig PFI Scheme

2017/18 was the eighteenth year of a 30 year PFI contract for the construction, maintenance and operation of Ysgol Gyfun Penweddig in Aberystwyth. The PFI contract agreement covers the following operating specifications:

- Facilities Management – to ensure that the site and buildings are available during school days, office days and for community use at agreed times and periods;
- Building and Engineering Maintenance – to maintain the school buildings, facilities and equipment in good working order;
- Grounds Maintenance – to ensure that the school grounds are kept in a safe, pleasant, functional and operational condition;
- IT Network Maintenance – to maintain the school's main ICT infrastructure and the telephone system;
- Cleaning – to provide a cleaning service that will ensure that the school operates within a clean environment; and
- Catering Service – to provide meals of high nutritional standards delivered in accordance with the needs of the school.

The agreement specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the school and maintain it to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school. The building and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights under the PFI agreement to terminate the agreement if the Provider defaults as stipulated within the agreement. The Council, in the event of such termination, will be liable to pay compensation to the Provider in accordance with Part II of Schedule 3 of the PFI Agreement.

#### Property Plant and Equipment

The asset is recognised on the Council's Balance Sheet. Movements in its value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 1.13. The carrying value of Ysgol Gyfun Penweddig is £13,813k.

#### Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2018 (excluding any estimation of inflation and availability/performance deductions) are as follows:

<u>Payments due to be made:</u>	<b>Payment for Services £'000</b>	<b>Reimbursement of Capital Exp £'000</b>	<b>Interest £'000</b>	<b>Total £'000</b>
within 1 year	707	658	534	1,899
within 2 to 5 years	4,053	1,562	1,680	7,295
within 6 to 10 years	3,681	2,604	1,147	7,432
within 11 to 15 years	2,066	913	141	3,120
	<b><u>10,507</u></b>	<b><u>5,737</u></b>	<b><u>3,502</u></b>	<b><u>19,746</u></b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to the contractor for capital expenditure incurred is as follows:

Value of Liabilities at Balance Sheet Date

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	6,265	6,593
Repayment of Principal	(528)	(328)
Balance at 31 March	<u><u>5,737</u></u>	<u><u>6,265</u></u>

### **1.36 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded, a notional fund is used as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18 the Council paid £3.8m (£3.8m in 2016/17) to the Department for Education and Skills in respect of teachers' pension costs, which represents 16.48% of teachers' pensionable pay for 2017/18 (16.48% for 2016/17). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2017/18, £219,963 (£233,532 in 2016/17) was paid to the Teachers' Pension Fund, either directly or via Carmarthenshire County Council (in respect of the Council's share of the former Dyfed County Council's costs relating to the premature retirement of teachers). Also, the Council made payments of £330,765 in 2017/18 (£316,859 in 2016/17) directly to teachers who have retired prematurely since 1 April 1996. The capitalised value of the above payments is £4.0m and £6.0m respectively.

### **1.37 DEFINED BENEFIT PENSION SCHEMES**

#### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Carmarthenshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment

assets. The estimated employer contributions for 2018/19 are £7,563k and this is based on contribution rates set per the 2016 Actuarial Valuation.

### Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make 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 General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2017/18 £'000	2016/17 £'000
<b>Comprehensive Income and Expenditure Statement:</b>		
Cost of Services:		
- current service cost	16,085	10,666
- past service cost	312	684
- (gain)/loss from settlements	188	0
Financing and Investment Income and Expenditure:		
- net interest cost	2,380	2,371
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>18,965</b>	<b>13,721</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement:</b>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(4,239)	(63,246)
- Actuarial gains and losses arising on changes in demographic assumptions	0	(5,276)
- Actuarial gains and losses arising on changes in financial assumptions	(19,173)	96,884
- Experience (gain)/loss	0	(4,733)
	(23,412)	23,629
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,447)</b>	<b>37,350</b>
<b>Movement in Reserves Statement:</b>		
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(18,965)	(13,721)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- employers' contributions payable to scheme	(8,083)	(7,959)

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plans is as follows:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Present value of the defined benefit obligation	476,301	476,137
Fair value of plan assets	<u>(389,626)</u>	<u>(376,932)</u>
<b>Net liability arising from defined benefit obligation</b>	<b><u>86,675</u></b>	<b><u>99,205</u></b>

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

	<b>All Benefits</b>		<b>Unfunded Benefits</b>	
	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	376,932	304,608	0	0
Interest income	9,415	10,937	0	0
Remeasurement gain/(loss):				
- The return on plan assets, excluding the amount included in the net interest expense	4,239	63,246	0	0
Contributions from employer	8,083	7,959	419	438
Contributions from employees into the scheme	2,894	2,869	0	0
Benefits paid	(11,662)	(12,416)	(419)	(438)
Other	(275)	(271)	0	0
<b>Closing fair value of scheme assets</b>	<b><u>389,626</u></b>	<b><u>376,932</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

	<b>All Liabilities</b>		<b>Unfunded Liabilities</b>	
	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening balance at 1 April	476,137	374,422	7,296	7,704
Current service cost	15,810	10,395	0	0
Interest cost	11,795	13,308	177	270
Contributions from scheme participants	2,894	2,869	0	0
Remeasurement (gains) and losses:				
- Actuarial (gains)/losses arising from changes in financial assumptions	(19,173)	86,875	(158)	(240)
Past service cost	312	104	0	0
Losses/(gains) on curtailment	188	580	0	0
Benefits paid	(11,662)	(12,416)	(419)	(438)
Liabilities extinguished on settlements	0	0	0	0
<b>Closing balance at 31 March</b>	<b><u>476,301</u></b>	<b><u>476,137</u></b>	<b><u>6,896</u></b>	<b><u>7,296</u></b>

**Local Government Pension Scheme assets comprised:**

	Quoted (Y/N)	Fair value of scheme assets	
		2017/18 £'000	2016/17 £'000
Equities:			
UK	Y	79,095	92,725
Overseas Pooled Funds	N	87,666	82,171
US	Y	38,963	36,185
Canada	Y	1,948	1,885
Japan	Y	13,247	12,439
Pacific	N	10,130	11,308
Emerging Markets	N	30,780	28,647
Pooled Overseas	Y	0	377
European ex UK	Y	13,247	0
Sub-total equities		<b>275,076</b>	<b>265,737</b>
Bonds:			
UK Government Indexed	Y	38,183	36,562
UK Corporate	N	37,404	36,562
Sub-total bonds		<b>75,587</b>	<b>73,124</b>
Property:			
Property Funds	N	36,625	35,055
Sub-total property		<b>36,625</b>	<b>35,055</b>
Cash			
Cash accounts	Y	1,169	2,262
Net current assets	N	1,169	754
Sub-total cash		<b>2,338</b>	<b>3,016</b>
<b>Total assets</b>		<b>389,626</b>	<b>376,932</b>

**Split of assets between investment categories**

	2017/18	2016/17
Equities	70.60%	70.50%
Bonds	19.40%	19.40%
Property	9.40%	9.30%
Cash	0.60%	0.80%

**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 is dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been estimated by Mercer Limited, an independent firm of actuaries, estimates for the Fund being based on the last actuarial valuation of the scheme as at 31 March 2016. The significant assumptions used by the actuary have been:

	31 March 18	31 March 17
<b>Duration information as at the end of the accounting period:</b>		
Estimated Macaulay duration of liabilities	18 years	18 years
Duration profile used to determine assumptions	Very Mature	Very Mature

**Financial assumptions:**

- Rate of CPI Inflation/CARE benefits revaluation	2.10%	2.30%
- Rate of increase in salaries	3.60%	3.80%
- Rate of increase in pensions in payment/deferment	2.20%	2.30%
- Discount rate	2.60%	2.50%

**Post retirement mortality assumptions (normal health):**

- Non-retired members	S2PA CMI_2015_[1.5%] (97% males, 90% females)	S2PA CMI_2015_[1.5%] (97% males, 90% females)
- Retired members	S2PA CMI_2015_[1.5%] (97% males, 90% females)	S2PA CMI_2015_[1.5%] (97% males, 90% females)

**Life expectancy of a male (female):**

- future pensioner aged 65 in 20 years' time	25.1 (27.9) years	25.0 (27.8) years
- current pensioner aged 65	22.9 (25.6) years	22.8 (25.5) years

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. 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, i.e. 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.

**Sensitivity analysis as at 31 March 2018**

Disclosure item	Central	Sensitivity 1 + 0.1% p.a. discount rate	Sensitivity 2 + 0.1% p.a. inflation	Sensitivity 3 + 0.1% p.a. pay growth	Sensitivity 4 1 year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
Liabilities	476,301	467,734	485,024	477,722	485,617
Assets	(389,626)	(389,626)	(389,626)	(389,626)	(389,626)
Deficit/(Surplus)	<b>86,675</b>	<b>78,108</b>	<b>95,398</b>	<b>88,096</b>	<b>95,991</b>
Projected Service Cost for next year	14,686	14,262	15,129	14,686	14,994
Projected Net Interest Cost for next year	2,155	2,007	2,387	2,198	2,403



**Risks associated with the Pension Fund**

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. 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 the amounts required by statute as described in the accounting policies note.

**1.38 DISCLOSURE OF NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Council's treasury management activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity and Re-financing risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Treasury Management is carried out by a central Treasury team supported by an external advisor – Link Asset Services. Treasury Management is defined as '*The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks*'.

The Local Government Act 2003 requires the Council to set out its Treasury Management Strategy, which is approved annually by Full Council. Guidance exists in the form of a CIPFA Treasury Management code of practice. The Council's Treasury Management Strategy sets out the Council's policies for managing its investments and debt and for giving priority to the security and liquidity of those investments.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they have a credit rating.

All credit ratings are monitored via a creditworthiness service which provides online information together with weekly credit rating lists provided by Link Asset Services. This utilises credit ratings from all 3 credit rating agencies (Fitch, Moodys and Standards & Poors) and also factors in credit default swaps data where this exists in the markets. The Council is notified electronically every time a change occurs to the rating of an institution that is on the approved list. If a counterparty or investment scheme is down-graded with the result that it no longer meets the Council's minimum credit criteria, the use of that counterparty/investment scheme will be withdrawn with immediate effect.

The credit criteria in respect of financial assets held by the Council as at 31st March 2018 are detailed below:

<b>Financial Asset Category</b>	<b>Criteria</b>	<b>Maximum Individual Investment held as at 31/03/18</b>	<b>Total Investments held as at 31/03/18</b>
Deposits with UK Local Authorities	Not credit rated	£2.0m	£5.0m
Deposits with Banks / Building Societies	Minimum rating: Long Term A- Short Term F1	£4.0m	£13.1m

The Council has an investment schedule which is approved by Full Council as part of the annual Treasury Management Strategy. This list shows:

- the categories of investment that are allowed and who is authorised to invest in each category (e.g. in house officers, external fund managers);
- the minimum credit rating criteria required for each type of investment;
- the maximum value of funds that can be invested with each individual counterparty;
- the maximum value of funds that can be invested for each category of investment;
- the maximum duration allowed for each type of investment;
- the upper limit for investments of greater than 364 days' duration.

This schedule is reviewed regularly and updated in line with latest credit ratings and market conditions.

The Council has previously experienced investment defaults on investments totalling £5.5m with Icelandic Banks and/or their UK subsidiaries during the 2008/09 financial year.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last ten financial years, adjusted to reflect current market conditions.

	<u>Amount at 31/03/18</u>	<u>Historical experience of default</u>	<u>Historical experience adjusted for market conditions as at 31/03/18</u>	<u>Estimated Maximum exposure to default and uncollectability</u>	<u>Estimated maximum exposure at 31/03/18</u>
	£'000	%	%	£'000	£'000
	A	B	C	A x C	
Deposits with Banks and financial institutions	18,124	2.5%	2.5%	453	453

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Management Strategy report.

### Liquidity and Re-financing Risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To this end the debt maturity profile is a key consideration when undertaking new borrowing or the restructuring of existing borrowing.

The maturity analysis of the Council's external debt as at 31st March 2018 is:

	<b>£'000</b>
Less than 1 year	3,189
Between 1 and 2 years	1,018
Between 2 and 5 years	15,169
Between 5 and 10 years	11,169
10 years and above	88,193
	<b><u>118,738</u></b>

All trade and other payables are due to be paid in less than one year.

### Market Risk

#### Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Income and Expenditure Account will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are carried at amortised cost, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound.

The Council has a limited number of strategies for managing interest rate risk given the current low interest rate environment. The main strategy is to manage the core balance and cashflow requirements, making longer investments where surplus funds allow, whilst at the same time recognising the financing requirements within the Council's 3 year capital programme and undertaking new long term borrowing whilst interest rates are still generally at historic lows.

For 2017/18 the Council's investment portfolio (excluding accrued interest) began the year at £10.9m and ended the year at £18.1m. The debt portfolio (excluding accrued interest) began the year at £114.7m and ended the year at £116.2m.

An assessment of the latest interest rate position and future forecasts feeds into the setting of the annual budget. This is also used to monitor and project a budget outturn position regularly during the year. This allows any adverse changes to be taken into account. Interest rate forecasts are received from independent forecasters via the Council's external treasury advisors. This not only influences borrowing strategies but also investment timescales and the overall balance of the investment and borrowing portfolios.

At 31/03/2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000</b>
Increase in Interest Receivable on variable rate investments	(91)
<b>Total impact on Income and Expenditure Account</b>	<b>(91)</b>
<b>Fair Value Impact</b>	<b>£'000</b>
Decrease in fair value of fixed rate borrowings	20,598

The Council also does not have any variable rate borrowing liabilities.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### **Price Risk**

The Council no longer uses an external fund manager; therefore the investments it places are currently based on fixed interest rates. The Council is therefore not currently exposed to losses arising from movements in the prices of traded items e.g. shares, gilts, certificates of deposits.

### **Foreign Exchange Risk**

In normal circumstances the Council would not have any financial assets or liabilities denominated in foreign currencies and therefore would not have an exposure to loss arising from movements in exchange rates. However as a result of the Icelandic Heritable Bank Administration process and the LBI Composition agreement, an amount denominated in Euros (equivalent to c£9k) is being held in escrow pending the outcome of further payment(s) from the Administrators of Heritable Bank.

## **1.39 CONTINGENT LIABILITIES**

### **Municipal Mutual Insurance**

The former Council's insurers prior to 1996 were Municipal Mutual Insurance (MMI), who ceased writing insurance business on 30 September 1992. In order to ensure an orderly run-off, a Scheme of Arrangement (Scheme) was put in place that became effective on 21 January 1994. The directors of MMI triggered the Scheme on 13 November 2012, after it became clear that a solvent run-off was not able to be achieved. Ernst and Young were appointed as the Scheme administrators and set an initial levy rate of 15%, an amount of £30K, which was

paid by the Council in 2013/14. In 2015/16, the Council was notified that the levy rate was being increased to 25% and so an amount of £20k was accrued into the 2015/16 accounts for this additional levy. The Scheme requires the largest insurance creditors (Scheme Creditors) of MMI to accept partial payment of claims (past as well as future). The maximum amount of clawback that can be made due to any future levies is £153,857 provided that there are no further claims by Ceredigion against the Scheme, which is not expected.

### **21<sup>st</sup> Century Schools Programme Grant Clawback**

The Council has received 21<sup>st</sup> Century Schools Programme grant funding for Bro Teifi and Dyffryn Cledlyn schools. There is a clawback condition on this grant whereby a proportion would have to be repaid if the school does not hit surplus capacity targets in 5 years (10% clawback if between 15-25% and 20% clawback if over 25%). The Council is continually monitoring the surplus capacity and is confident that the grant will not need to be repaid.

### **Water Rates Legal Case**

The Council transferred its housing stock to Tai Ceredigion in 2009, prior to that water rates were collected on behalf of Dwr Cymru from tenants as part of their rent. In return for this service the Council received a commission. This arrangement has been called in to question in the case *Kim Jones v London Borough of Southwark [2016] EWHC 457*. The court ruled that the defendant was acting as a water supplier and not as an agent of the water supplier in collecting water rates as part of rent. This ruling has potential financial implications in terms of the agency fee and where action has been taken against rent arrears that could be deemed to include water rates.

## **1.40 POST BALANCE SHEET EVENTS AND AUTHORISATION OF ACCOUNTS FOR ISSUE**

There are no post balance sheet events for 2017/18.

The Statement of Accounts is authorised for issue by the Corporate Lead Officer: Finance & Procurement on 20 September 2018.

## **ANNUAL GOVERNANCE STATEMENT**

### **1. Scope of responsibility**

Ceredigion County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government (Wales) Measure 2009 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 Well-being of Future Generations (Wales) Act 2015 also introduces new governance arrangements for public services in Wales. Public bodies are required to carry out sustainable development. It places a well-being duty on public bodies to set and publish well-being objectives designed to maximise their contribution to the seven national well-being goals. They are also expected to take all reasonable steps towards achieving their objectives.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes the arrangements for the management of risk.

A Governance Framework was developed in 2010 and has been revised in accordance with the CIFA/SOLACE Delivering Good Governance in Local Government Framework 2016. The framework has been used to review the existing governance arrangements.

Following the review and in accordance with the requirements of the Framework a Local Code of Corporate Governance has been developed and a draft presented to Audit Committee for consideration.

The local Code of Corporate Governance brings together in one document all the governance and accountability arrangements the Council currently has in place and highlights areas where more work is required. The code is based on best practice guidance set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

This new framework is based on the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) and the following seven principles;

- A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B: Ensuring openness and comprehensive stakeholder engagement
- C: Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D: Determining the interventions necessary to optimise the achievement of the intended outcomes

- E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F: Managing the risks and performance through robust internal control and strong public financial management
- G: Implementing good practices in transparency reporting, and audit to deliver effective accountability

This statement explains how the Authority has complied with the seven core principles and sub-principles contained in the framework and in our Local Code of Corporate Governance.

This statement also meets the requirement of The Accounts and Audit (Wales) Regulations 2014.

## **2. Assessment of the effectiveness of key elements of the governance framework**

Ceredigion County Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively.

The Leader of Ceredigion County Council provides clear strategic direction and the Constitution clearly defines the roles of Councillors and officers. Internal and External Audit, Ethics and Standards Committee and the Audit Committee are committed to ensuring the governance arrangements are effective and robust.

The Council took on board Welsh Audit comments from last year and has adopted the new CIPFA/SOLACE Delivering Good Governance Framework (2016) that sets out seven core principles for corporate governance, these all have sub-principles and each translates into a range of specific requirements.

Ceredigion County Council has conducted an annual review of the effectiveness of its governance against the new framework. The review involved member/officer workshops and included the following members; The Chair and Vice Chair of Audit Committee, the Lay member, Audit Committee, the Chair of Overview and Scrutiny Co-ordinating Committee. In addition the Monitoring Officer, Chief Internal Auditor, S151 Officer, Head of ICT and Customer Services, Head of Performance and Economy, Head of Policy Support, Head of Democratic Services, Performance & Improvement Officer and Future Generations and PSB Manager also took part. During the workshops each behaviour was introduced and scored against a scoring mechanism as follows:

- 1/2 Unacceptable Immediate action required
- 3/4 Below satisfactory – urgent Action Required (within 3-6 months)
- 5/6 Satisfactory - Action Required (before end of year 9-12 months)
- 7/8 Acceptable Minor adjustments may be required
- 9/10 Good - overall Governance considered to be good and meets best practice no further action required

The review of effectiveness conducted at officer level and was informed by managers within the Authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors, other inspection agencies, Leadership Group and Heads of Service. The review framework was presented to Audit Committee in January 2018.

The effectiveness of the governance framework draws on evidence and assurances from:

- Internal and external audit and inspection
- Financial Controls
- Risk and Performance Management
- Legal and ethical standards
- Corporate Directors and other senior management, including the s151 Officer and the Monitoring Officer
- The Audit Committee
- Overview and Scrutiny Committees

In addition The Chief Internal Audit has undertaken an independent review of the Annual Governance Framework and the method of scoring and evidence.

The Council has drawn together a Local Code for Corporate Governance which sets out the systems and processes, and cultures and values, by which the authority is directed and controlled and its activities through which 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 code and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Local Code for Corporate Governance is available on the Council's website at [www.ceredigion.gov.uk](http://www.ceredigion.gov.uk)



### 3. Corporate Governance Achievements for 2017-18

The local code for Corporate Governance sets out the Local Authorities commitment to the principles of good governance. The following paragraphs outline the Corporate Governance achievements during 2016-17.

- A. Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- The Constitution has been the subject of a comprehensive review during 2017
  - CeriNet has been developed to include information for new starters, the Employee Handbook, Managers Toolkit and more recently the Learning and Development.
  - The Corporate Strategy 2017-2022 including well-being and improvement objectives 2018-19 has been published.
  - The Anti-fraud and corruption Strategy has been subject to review during 2017.
- B. Ensuring openness and comprehensive stakeholder engagement
- A Public Service Board Well-being plan has been developed and consulted upon.
  - The first well-being and improvement objectives for the local authority have been consulted upon and published by the 31<sup>st</sup> March 2017. Objectives for 2018-19 have been published as part of the Corporate Strategy 2017-2022
  - The AIR 2016-17 report did not make any formal recommendations for improvement but acknowledged that the Council has clear governance arrangements for decision making on service changes.
- C. Defining outcomes in terms of sustainable, economic, social and environmental benefits
- A public engagement toolkit has been developed in accordance with the National Principles of Public Engagement
  - The Authority has undertaken the following steps towards the implementation of the Well-being of Future Generations (Wales) Act 2015
    - ✓ Prepared Well-being and improvement objectives 2018-19 and Well-being statement
    - ✓ Embedded the Well-being Goals and Sustainable development principal into the business planning process
    - ✓ Implemented a new Integrated Impact Assessment tool

- ✓ Established a WFGA group and action plan
  - ✓ Completed the review of the Constitution
  - ✓ Completed the PSB assessment of Local Well-being
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Implementation of an Integrated Impact Assessment Tool to assist members in the decision making process.
  - Corporate Performance Management Arrangements have been reviewed to ensure achievement of intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Members training
    - i. Safeguarding
    - ii. Whistleblowing arrangements
    - iii. Scrutiny Chairs and Vice Chair
    - iv. Social Services and Wellbeing Act
    - v. Communications , press and media
  - Member and Officer training on the Well-being of Future Generations (Wales) Act 2015
  - Implementation of the learning and development module within CeriNet
  - Roll out of e-learning modules
  - A new Workforce Plan 2017-2020 has identified four themes
    - Engagement and Opportunity
    - Flexible & Agile Workforce
    - Promote a bilingual workforce that will serve the community
    - Leadership and Management development
- F. Managing risks and performance through robust internal control and strong financial management
- The Corporate Risk Register is updated quarterly
  - The Improvement Plan performance Report 2016-17 was published in October 2017
  - The Medium Term Financial Strategy was updated and approved in February 2018

- An ICT and Digital strategy was approved by Council in March 2018
  - Internal Audit Section is fully resourced with the appointment of 2 FTE staff from the 4 June 2017.
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability
- Annual reports are published including
    - i. Improvement Plan progress report (Oct 2017)
    - ii. Annual Financial Statement including the Annual Governance Statement (September 2017)

#### **4. Opinion on the level of assurance that the governance arrangements can provide**

The Chief Internal Auditor prepares an Annual Report which is presented to Audit Committee in June. The report sets out the individual and collective outcomes of the audit reviews undertaken during the year, and provides the overall audit opinion of assurance based on this audit work. The assurance provided also takes into account progress in implementing improvements, consideration of the risk register and assurances provided in reports issued by external regulators. The scope of audit work and how the need to constantly reprioritise to ensure sufficient work is undertaken for the assurance is detailed in the report.

Concerns were raised by WAO in the 2015-16 and 2016-17 ISA260 regarding the reduced staffing levels due to both long and short-term absences within Internal Audit which had led to a number of planned audit reports not being finalised; however the issues relating to capacity have now been addressed with the appointment of additional 2 members of staff to the team. One member of the team commenced a 12 month career break in January 2018 therefore specialist auditors from other local authorities will undertake part of the audit plan work identified for 2017-2018 and 2018-19 to bridge the gap.

The Annual Governance Statement has been the subject of review by Wales Audit Office to ensure that it is consistent with their knowledge and with legislation in addition the Internal Audit section has undertaken an independent review of the Annual Governance Framework and the method of scoring and evidence.

The Internal Audit Section undertook its annual self-assessment at year-end (2017-18), and an external peer assessment of the service was also conducted during 2016-17. The resultant improvement plans from these assessments have been included in the Internal Audit Annual Report, identifying improvements made and planned against the recommendations arising, along with the results of the service's Quality Assurance Improvement Plan as required by the PSIAS to ensure the Audit Committee is able to monitor progress.

The Chief Internal Auditor concluded in her Annual Report, based on:

- the number, scope and assurances from internal and external reviews and follow-up audits undertaken during the year to 31 March 2018, and

- the acceptance of actions by management (especially those deemed significant),

that CSC has a satisfactory framework of governance, risk management and internal controls in place to manage the achievement of the organisation's objectives.

The Council's Head of ICT and Customer Services acts as the Authority's Senior Information Risk Owner and also has responsibility for Data Protection and ICT Security.

The SIRO Forum traditionally included subject matter experts: E.g. Facilities, Data Protection, IT Security, Head of IT Legal, and HR. and some departmental representation. This meets on an ad-hoc basis as required.

The current key roles and scrutiny of Information Assets are as follows:

- An IT Security Officer (ITSO) 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.
- An Information and Records Management Officer (IRMO) who advises on legal compliance and ensures that policies and procedures are in place and are being adhered to.
- The ICT Technical CAB (CAB) committee meets monthly to discuss ICT operational issues where security is considered.
- Corporate Data Protection (Known internally as Corporate Data Protection / FOI / EIR Group Meeting) meets quarterly and is chaired by Head of Service Policy (Deputy HOS ICT&CS).
- Emergency and Business Continuity Meeting held quarterly Chaired by Cabinet Member for Corporate Services, Improvement and Performance Management. This predominately considers Information Availability.
- Annual Reports as required to the Council's Audit Committee.

Additionally:

- ITSO is the Vice-chair of Wales National Public Sector Security Forum (CymruWARP) which meets quarterly.
- IRMO Chairs the Information and Records Management Society Wales/Cymru and arranges events across Wales.
- IRMO is part of the WASPI - Mid and West Wales Quality Assurance Panel.

Following the Governance Framework review, overall governance arrangements are considered to be acceptable or good on the basis that average scores applied were 7/8.

The introduction of the Local Code for Corporate Governance outlining how the Council is committed to the core principles of the CIPFA/SOLACE delivering good Governance in Local Government Framework will provide guidance to all members and officers on the governance agenda.

Inclusion in the Council's Constitution with regular review will provide a high level of assurance that the governance arrangements are fit for purpose.

### 5. Issues identified for last year 2016-2017

The following table records the actions that have been taken during 2017-18 to resolve the issues identified in the Annual Governance Statement for 2016-2017

Issue	Progress to date	Lead Officer	Completion Date
The revised Constitution is not available on the web.	A Members workshop was held 25/09/2017. The temporary staff employed to assist with the review has now finished. There are some documents that form part of the constitution that still require update , as well as some new .It is anticipated that the Constitution will continue through the political process and be approved by March 2018.	Elin Prysor	Mar 2018
Some information around governance is not easily accessible on the web pages	The Annual Governance Statement and the related documents are all available on the newly re-vamped Ceredigion Web site and are accessible from the Your Council Committees of the Council tab.	Caroline Jones	Sept 2017
The Current Workforce Plan expires in 2017	<p>The responses received from Services have been collated, analysed and combined with the key workforce objectives within the Corporate Strategy in order to develop four themes for a new Workforce Plan 2017-2020.</p> <p>The four themes identified are:</p> <ol style="list-style-type: none"> <li>1. Engagement and Opportunity</li> <li>2. Flexible &amp; Agile Workforce</li> <li>3. Promote a bilingual workforce that will serve the community</li> <li>4. Leadership and Management development</li> </ol> <p>The final plan was been agreed by Leadership Group on 12th January 2018. It will be presented to Scrutiny on 7th February and Cabinet on 7th March 2018</p>	Caroline Lewis	Mar 2018

Corporate Strategy 2013-2017 expires in 2017	The Corporate Strategy 2017-2022 including Well-being and Improvement Objectives 2018-19 was approved by Council on the 26 <sup>th</sup> October 2017 and published on the 31 <sup>st</sup> October 2017	Caroline Jones	Mar 2018
Anti-fraud and corruption strategy last updated in 2011 and does not include Anti Money laundering and Bribery Acts	<p>On Monday, 18 September, 9 third year students from Aberystwyth University began work experience with Ceredigion County Council.</p> <p>The work experience had been offered to the students through the 'Employability Skills for Professionals' module by the Institute of Business &amp; Law. This project is a new collaboration between the University and the Council and one which both organisations hope to see grow in the future, with other departments, becoming involved in offering work placement opportunities to Aberystwyth University students.</p> <p>The current students have undertaken their placements in two departments at the Council namely Finance and Law.</p> <p>One of the Finance students' projects is to help draft a revised and updated Anti-Fraud and Corruption Strategy, to include the Bribery Act and Anti-Money Laundering Regulations' requirements, for the Council. This work is being overseen and co-ordinated by the Chief Internal Auditor and is planned for completion in March 2018,</p>	Amanda Roberts	Mar 2018
Lack of robust arrangements for evaluating the effectiveness of consultation and engagement exercises.	<p>Some concerns have been raised in the past over the demographic make-up of the Citizen's Panel and therefore a review of the panel and how the Council engages with the residents of Ceredigion is needed. The lack of capacity within Policy Support to undertake the review and to progress engagement activity is an ongoing issue.</p> <p>A consultations decision making tool has been developed as a means to provide a clearer protocol on consultations. The tool has been developed using the 'Gunning Principles' contained within the WLGA publication 'The Law of Consultation, September 2014'.</p> <p>The tool also contains a section on governance</p>	Diana Davies	Mar 2018

	<p>regarding the internal dissemination of results from consultation and engagement activity that has been developed as a result of the proposal made by WAO following their improvement assessment work regarding the Council's approach to communicating and engaging with citizens in 2015.</p> <p>The governance table outlines what steps should be taken to disseminate the results of any engagement and consultation activity. It can also be used as a tool to remind officers and elected members alike, of the need to take the findings into account in making recommendations and decisions.</p>		
A new administration in May 2017 will require Member induction training	<p>A Members' Induction programme was implemented immediately following the Election. Training will continue to be provided until the end of the year.</p> <p>Future training needs will be identified in early 2018 through the Personal Development Review process.</p>	Lowri Edwards	Mar 2018
Continue to embed recent changes in delivery of savings over the medium to long term and implement project management arrangements across the Council	<p>The current years savings plan BRAG status has been updated and next years prepared for the scrutiny of budget setting. Transformation savings for the current year and future years have been reviewed and tracked.</p> <p>The Corporate Project Management arrangements have been put in place and panel meetings have been held since August 2017</p>	Steve Johnson	Mar 2018
The ICT Strategy is due to expire during 2017.	Draft ICT and Digital strategy currently being developed. Strategy. A consultation with Service Heads was held in January 2018. It will be presented to Scrutiny in February and Cabinet in March 2018.	Arwyn Morris	Mar 2018
To ensure Internal Audit is adequately resourced to provide reliable assurances.	<p>Section fully resourced with the appointment of 2 FTE staff from the 4 June 2017.</p> <p>Half-yearly report to Audit Committee 25 October, to include staffing update and progress made re improvement plan.</p> <p>Reporting will be on a quarterly basis from</p>	Amanda Roberts	Mar 2018

	<p>October 2017.</p> <p>1 member of the audit team will be lost from January 2018 but alternative arrangements have been made to ensure the Audit Plan for 2018 is completed.</p>		
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Note: Any actions not fully completed by the completion date will be carried forward into the 2018-19 Action Plan.

## 6. Agreed action plan for matters to be considered during 2018-19

Following the implementation and review of the CIPFA/SOLACE Delivering good governance in Local Government Framework (2016) the following issues have been identified for resolution during 2018-19

Issue	Action	Outcome	Lead Officer	Completion Date
(A) Audit of Ethics is due in 2018	Carry out an Audit of Ethics	Underpinning corporate Governance with ethical values	AR	March 2019
(B) Freedom of information  There is a Freedom of Information Publication scheme operating within Ceredigion but this and the FOI policy requires update.	Update the FOI publication Scheme.  Update the FOI policy.	Freedom of Information policy and publication scheme that meets best practice and complies with legislative requirements.	AW	March 2019
(B) Consultation and Engagement  Although there are processes in place for the dissemination of the results of consultation and engagement exercises, there is some concern that these do not always reach the appropriate decision makers within the Authority	Monitor use of consultation feedback across the Authority and its dissemination to decision makers.	Ensure consultation and engagement exercises are always considered by the decision makers within the authority in order to determine the most appropriate and effective interventions/ courses of action	AW	March 2019



<p>(B) The existing structure of the PSB and its partnerships is not fit for purpose for delivering the new Local Well-being Plan.</p>	<p>Implement the new Partnership Structure as a result of a recent review of the PSB structure</p>	<p>Formal and informal partnerships that allow for resources to be used more efficiently and outcomes achieved more effectively</p>	<p>AW</p>	<p>March 2019</p>
<p>(C) Managing Service Users expectations  Only some of the data that is collected and reported regarding service performance is made available to the public.</p>	<p>Introduce a system and publish performance data available online.  To publicise the availability of data on service performance and the relative costs per service and value for money.</p>	<p>Making data more available would help the public understand the performance of services and value for money better.  Help to manage service users expectations more effectively with regard to determining priorities and making the best use of the resources available.</p>	<p>RHP/AW</p>	<p>March 2019</p>
<p>(D) A review of the risks across collaboration projects and agreements is required</p>	<p>Review the risks across Collaboration projects and agreements.</p>	<p>Management of shared risks across collaboration projects and agreements</p>	<p>AW</p>	<p>March 2019</p>
<p>(F) To ensure Internal Audit is adequately resourced to provide reliable assurances. (Loss of 1 member of the audit team to a career break)</p>	<p>Alternative arrangements such as Utilisation of specialist auditors from other local authorities to undertake part of the audit plan work identified for 2018-19</p>	<p>Full audit plan achieved for 2018-19</p>	<p>AR</p>	<p>March 2019</p>

## 7. Conclusion

The annual governance framework review measured progress against the new CIPFA/SOLACE Delivering Good Governance Framework (2016) and overall governance arrangements were found to be acceptable or good.

The Council has made good progress during the year with recorded achievements against each of the seven core principles.

The development of a Local code of Corporate Governance bringing together all the local codes and documents together in one document provides assurance that there are clear governance arrangements in place.

The Council has identified a number of minor issues for resolution during 2018/19 and set these out in an action plan for completion.

## 8. Certification of Annual Governance Statement

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Chief Executive



Leader of the Council

