



Cyngor Sir  
**CEREDIGION**  
County Council

**STATEMENT  
OF  
ACCOUNTS**

for the year ending  
31st March 2017  
Audited



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## NARRATIVE REPORT

This Statement of Accounts 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 2016/17* requirements for accounting statements. The document offers a summary of the Council's overall financial position and 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.

## CHANGES INTRODUCED INTO THE CODE

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

- a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to users of the accounts. This Expenditure and Funding Analysis is supported by a streamlined Movement in Reserves Statement and it largely replaces the segmental reporting requirements of the Code. This is now the first Accounting Statement
- a Comprehensive Income and Expenditure Statement (CIES) on a Service basis so that it is in line with Council's management reporting thereby breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the CIES
- the Segmental Reporting note, which previously showed the link between management reporting and the CIES, is no longer needed but has been replaced by a note giving more details of the adjustments within the Expenditure and Financing Analysis and details of the nature of expenses within the Surplus/Deficit on the Provision of Services of the CIES

It was expected that the new requirement for the Highways Network Asset would be introduced into the Statement of Accounts in 2016/17. It was anticipated that this would add circa £1.5bn to the Council's Balance Sheet. On the 8<sup>th</sup> March 2017, CIPFA LASAAC Code Board stated:

"The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities."

Although this statement appears to indicate that there will no longer be a requirement to make this change in the future, HM Treasury have indicated that they are still working towards having this change introduced in the future.

## **ACCOUNTING STATEMENTS**

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

### **CORE FINANCIAL STATEMENTS**

#### **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.

#### **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.

**SERVICE EXPENDITURE AND INCOME**

	<b>2016/17</b>	<b>Revised Budget</b>
	<b>£'000</b>	<b>£'000</b>
Gross Expenditure	203,902	204,283
Gross Income & Transfers	<u>71,919</u>	<u>70,941</u>
<b>Net Expenditure</b>	<b><u>131,983</u></b>	<b><u>133,342</u></b>
Financed by:		
Aggregate External Funding	97,010	97,010
Local Taxation	35,193	34,453
General Fund	<u>(220)</u>	<u>1,879</u>
<b>Total</b>	<b><u>131,983</u></b>	<b><u>133,342</u></b>

The budget included a transfer from General Fund of £1,879k, however, there was a transfer to General Fund of £220k.

Gross expenditure was financed as follows:

	<b>2016/17</b>
	<b>£'000</b>
Government Grant	138,052
Council Taxpayers	35,193
Other Fees, Charges and Reserves Transfers	<u>30,657</u>
<b>Total</b>	<b><u>203,902</u></b>

**CAPITAL EXPENDITURE PERFORMANCE**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Approved Budget (1)	26,764	42,259
Expendable Budget (2)	21,953	38,740
Actual Expenditure	<u>17,497</u>	<u>32,514</u>
<b>Variance</b>	<b><u>4,456</u></b>	<b><u>6,226</u></b>

(1) 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.

(2) 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>2016/17</b>
	<b>£'000</b>
	<b>Under/(over) spend</b>
1 Sewage Treatment Works	741
2 Match Funding for future Coastal Protection Schemes	665
3 Canolfan y Bont, Ysgol Bro Pedr, Lampeter	490
4 HILS and Houses into Homes Loan Scheme	417
5 21st Century Schools Programme	378
6 Ceredigion Museum (New Approaches)	271
7 Cylch Caron	215
8 Llanbadarn HCT Centre	184
9 Houses into Homes	175
10 Disabled Facilities Grant	159
11 Other Variances under £150k	<u>761</u>
<b>Total</b>	<b><u>4,456</u></b>

The reasons for these variances were:

1. The underspend reflects a lower than expected level of expenditure during the year which is due to the current phasing of works. The improvement programme and the associated funding will continue into 2017/18.
2. As resources became available it was decided to accrue these towards future match funding of large capital coast protection schemes as there is likely to be a decrease in the intervention rate of Welsh Government funding.
3. Canolfan y Bont did not commence on site until the end of 2016 therefore the programme will roll over to 2017/18.
4. The Conversion of expressions of interest into actual payment has been slower than anticipated, however funding remains available in 2017/18.
5. 21st Century schools Programme is scheduled over a number of years and will roll over into 2017/18.
6. The project is underway and spans both 2016/17 and 2017/18 financial years, so the unused funding will continue into 2017/18.

7. The full Business Case for the project is now being submitted to the Welsh Government in 2017/18 rather than 2016/17 as originally envisaged.
8. The underspend is due in the main to one large scheme which has taken longer than anticipated to progress, with funding still being required for this scheme in 2017/18.
9. Delayed access to vacant building to undertake work due to decanting and ecological issues.
10. The Conversion of expressions of interest into actual payment has been slower than anticipated, however grant funding remains available in 2017/18.

The main areas of capital spend were:

- 21st Century Schools Programme
- Disabled Facilities Grant
- Local Transport Fund - A486 Post Bach to Synod Inn
- Highways Improvements General
- Warm Homes ARBED Energy Efficiency Projects
- Ceredigion Museum (New Approaches)
- Sewage Treatment works
- Canolfan y Bont, Ysgol Bro Pedr, Lampeter
- Expenditure under Sections 16(2)(b) and 20 Local Government Act 2003: Treatment of certain costs as capital expenditure

## Capital Expenditure Financing

	2016/17	2015/16
	£'000	£'000
General Capital Funding	4,694	4,693
Developing Education in Ceredigion Reserves	1,112	2,229
Prudential Borrowing (funded by c£600k restructuring savings)	2,541	6,923
Schools (Local Government Borrowing Initiative)	805	3,222
Temporary Borrowing (Future Capital Receipts) 21st Century Schools	590	0
Education - Capital Receipts	1,610	0
General Fund - Capital Receipts	427	2,400
Housing - Capital Receipts	16	23
Transport Related - Capital Receipts	0	83
Sewage Treatment Works - Capital Receipts	304	340
Revenue/Reserve Contributions - including Corporate Capital Reserve	67	1,112
Welsh Government repayable Funding (HILS and H2H loans)	106	33
Section 106	113	0
Grants	5,112	11,456
	<b><u>17,497</u></b>	<b><u>32,514</u></b>



The main investment plans and new fixed assets in 2017/18 include:

21st Century Schools Programme  
Disabled Facilities Grants  
Replacement Vehicles  
Local Transport Fund and Safe Routes in Communities  
Llanbadarn HCT Centre  
Sewage Treatment Works  
Ceredigion Museum – New Approaches  
Highways Improvements  
Street Lighting Programme  
Canolfan y Bont, Ysgol Bro Pedr, Lampeter  
HILS and Houses into Homes Loan Scheme  
Town Centre Regeneration Loan Scheme  
Expenditure under Capitalisation Direction  
Coastal Protection  
Community Grant Scheme

## **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. Further information is detailed in Note 1.28.

## **RETIREMENT BENEFITS**

The Statements fully reflect the net liability of the Pension Fund. The Balance Sheet includes a net liability of £99,205K (£69,814K in 2015/16). Further information is detailed in Note 1.29. 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.

## **IMPACT OF CURRENT ECONOMIC CLIMATE**

Since 2008 there have been unprecedented problems in the worldwide financial situation. Because of this general situation it has been necessary for the Council to take the circumstances into consideration in its financial plans, whilst maintaining a prudent level of reserves.

Since the referendum on the UK's membership of the European Union, there has been a degree of economic uncertainty. This is expected to last for some time and may affect some factors and financial decisions made by the Council in 2017/18 and into the medium term.

## **FURTHER INFORMATION**

Interested persons have a statutory right to inspect the Accounts, during the public inspection, before the annual audit is completed. The Council and its Officers are committed to providing full information on the Council's financial affairs. Anyone wishing further information or explanation on the Accounts should contact:

**Finance Service  
Ceredigion County Council  
Canolfan Rheidol  
Rhodfa Padarn  
Llanbadarn Fawr  
Aberystwyth  
SY23 3UE  
Tel. No: (01970) 617911  
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 Head of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Chairman of the Council

21<sup>st</sup> September 2017

**THE RESPONSIBILITIES OF THE HEAD OF FINANCE**

The Head of Finance 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 Head of Finance 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 Head of Finance 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 2017.

Head of Finance

21<sup>st</sup> September 2017

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

I have audited the accounting statements and related notes of Ceredigion County Council for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Ceredigion County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the responsible financial officer is responsible for the preparation of the statement of accounts which gives a true and fair view.

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

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

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

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

**Opinion on the accounting statements of Ceredigion County Council**

In my opinion the accounting statements and related notes:

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

**Opinion on other matters**

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

**Matters on which I report by exception**

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

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

**Certificate of completion of audit**

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

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
26<sup>th</sup> September 2017

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.

**EXPENDITURE AND FUNDING ANALYSIS****2016/2017**

	<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 1.5 &amp; 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 and Commissioned	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	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>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>Closing Balance</b>	<b>(5,026)</b>	<b>(15,131)</b>	<b>(20,157)</b>		

For further analysis see notes 1.5 and 1.6

## 2015/2016

	Outturn £'000	Transfers (to)/from Earmarked Reserves (Note 1.8) £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments between Funding & Accounting Basis (Note 1.5 & 1.7) £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
Leadership Group	732	(290)	442	2,744	3,186
Legal and Democratic	2,473	(50)	2,423	135	2,558
Performance and Economy	1,938	209	2,147	1,161	3,308
Finance	16,909	(546)	16,363	(5,491)	10,872
ICT and Customer Services	3,653	234	3,887	549	4,436
Human Resources and Health and Safety	1,437	93	1,530	127	1,657
Families and Children	7,150	279	7,429	374	7,803
Adult and Commissioned	23,672	463	24,135	1,094	25,229
Lifestyle	3,508	599	4,107	1,858	5,965
Learning	46,052	2,587	48,639	4,742	53,381
Policy Support	1,095	(8)	1,087	260	1,347
Technical	20,560	(131)	20,429	5,236	25,665
Levies & Outcome Agreement Grant	4,085	(1,163)	2,922	(3,673)	(751)
<b>NET COST OF SERVICES</b>	<b>133,264</b>	<b>2,276</b>	<b>135,540</b>	<b>9,116</b>	<b>144,656</b>
<b>Other Income and Expenditure</b>	<b>(133,233)</b>	<b>0</b>	<b>(133,233)</b>	<b>881</b>	<b>(132,352)</b>
<b>(Surplus) or Deficit</b>	<b>31</b>	<b>2,276</b>	<b>2,307</b>	<b>9,997</b>	<b>12,304</b>
<b>Opening Balance</b>	<b>(4,837)</b>	<b>(19,920)</b>	<b>(24,757)</b>		
<b>(Surplus) or Deficit</b>	<b>31</b>	<b>2,276</b>	<b>2,307</b>		
<b>Closing Balance</b>	<b>(4,806)</b>	<b>(17,644)</b>	<b>(22,450)</b>		

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

	Note	2016/2017			Restated 2015/2016		
		Gross Exp £'000	Gross Inc £'000	Net Exp £'000	Gross Exp £'000	Gross Inc £'000	Net Exp £'000
Leadership Group		1,457	354	1,103	3,290	104	3,186
Legal and Democratic		3,139	763	2,376	3,166	608	2,558
Performance and Economy		4,185	1,209	2,976	4,181	873	3,308
Finance		29,814	18,727	11,087	30,483	19,611	10,872
ICT and Customer Services		4,370	103	4,267	4,534	98	4,436
Human Resources and Health and Safety		2,009	221	1,788	1,842	185	1,657
Families and Children		9,079	1,664	7,415	9,479	1,676	7,803
Adult and Commissioned		42,212	16,778	25,434	41,748	16,519	25,229
Lifestyle		9,114	3,308	5,806	9,463	3,498	5,965
Learning		71,703	14,228	57,475	68,622	15,241	53,381
Policy Support		3,285	1,631	1,654	2,883	1,536	1,347
Technical		34,489	8,950	25,539	33,542	7,877	25,665
Outcome Agreement Grant		0	0	0	0	751	(751)
<b>COST OF SERVICES</b>		<b>214,856</b>	<b>67,936</b>	<b>146,920</b>	<b>213,233</b>	<b>68,577</b>	<b>144,656</b>
Other operating expenditure	1.9	10,756	858	9,898	10,663	412	10,251
Financing and investment income and expenditure	1.10	9,289	1,248	8,041	10,141	1,754	8,387
Taxation and non-specific grant income	1.11	0	145,253	(145,253)	0	150,990	(150,990)
<b>(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES</b>		<b>234,901</b>	<b>215,295</b>	<b>19,606</b>	<b>234,037</b>	<b>221,733</b>	<b>12,304</b>
(Surplus) or deficit on revaluation of Fixed Assets	1.32			(1,969)			7,025
Remeasurement of the net defined benefit liability (asset)	1.48			23,629			(8,729)
<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>21,660</b>			<b>(1,704)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>41,266</b>			<b>10,600</b>



## MOVEMENT IN RESERVES STATEMENT

	Note	General Fund	Earmarked	TOTAL	Capital Receipts	Capital Grants	Total Usable	Unusable	Total Council
		Balance	Reserves		Reserve	Unapplied	Reserves	Reserves	Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<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>

	Note	General Fund	Earmarked	TOTAL	Capital Receipts	Capital Grants	Total Usable	Unusable	Total Council
		Balance	Reserves		Reserve	Unapplied	Reserves	Reserves	Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2015/16</b>									
<b>Balance at 31/03/15</b>		<b>(4,837)</b>	<b>(19,920)</b>	<b>(24,757)</b>	<b>(4,626)</b>	<b>(649)</b>	<b>(30,032)</b>	<b>(170,342)</b>	<b>(200,374)</b>
(Surplus) or deficit on provision of services		12,304	0	12,304	0	0	12,304	0	12,304
Other Comprehensive Expenditure & Income		0	0	0	0	0	0	(1,704)	(1,704)
<b>Total Comprehensive Expenditure &amp; Income</b>		<b>12,304</b>	<b>0</b>	<b>12,304</b>	<b>0</b>	<b>0</b>	<b>12,304</b>	<b>(1,704)</b>	<b>10,600</b>
Adjustments between accounting basis & funding basis under regulations	1.7	(9,997)	0	(9,997)	176	(222)	(10,043)	10,043	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>2,307</b>	<b>0</b>	<b>2,307</b>	<b>176</b>	<b>(222)</b>	<b>2,261</b>	<b>8,339</b>	<b>10,600</b>
Transfers to/from Earmarked Reserves	1.8	(2,276)	2,276	0	0	0	0	0	0
<b>(Increase)/Decrease Balance at 31/03/16</b>		<b>31</b>	<b>2,276</b>	<b>2,307</b>	<b>176</b>	<b>(222)</b>	<b>2,261</b>	<b>8,339</b>	<b>10,600</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>

**BALANCE SHEET**

	Note	£'000	31/03/17 £'000	31/03/16 £'000
<b>ASSETS</b>				
Property, Plant and Equipment	1.13	338,641		346,245
Investment Property	1.14	17,599		17,928
Heritage Assets	1.15	2,897		2,456
Long Term Investments	1.18	0		1,026
Long Term Debtors	1.19	1,987		1,650
<b>LONG TERM ASSETS</b>			<b>361,124</b>	<b>369,305</b>
Short Term Investments	1.18	5,035		3,011
Assets Held for Sale	1.25	2,198		740
Inventories	1.20	595		639
Short Term Debtors	1.23	17,529		18,495
Cash and Cash Equivalents	1.24	3,321		12,893
<b>CURRENT ASSETS</b>			<b>28,678</b>	<b>35,778</b>
<b>TOTAL ASSETS</b>			<b>389,802</b>	<b>405,083</b>
<b>LIABILITIES</b>				
Short Term Borrowing	1.28	(6,988)		(932)
Short Term Creditors	1.26	(20,376)		(21,666)
Short Term Provisions	1.27	(78)		(138)
<b>CURRENT LIABILITIES</b>			<b>(27,442)</b>	<b>(22,736)</b>
Long Term Creditors		(171)		0
Long Term Provisions	1.27	(101)		(134)
Long Term Borrowing	1.28	(108,023)		(115,523)
Other Long Term Liabilities	1.29	(105,550)		(76,740)
Capital Grants Receipts in Advance	1.30	(7)		(176)
<b>LONG TERM LIABILITIES</b>			<b>(213,852)</b>	<b>(192,573)</b>
<b>TOTAL LIABILITIES</b>			<b>(241,294)</b>	<b>(215,309)</b>
<b>NET ASSETS</b>			<b>148,508</b>	<b>189,774</b>
Usable Reserves	1.31	26,909		27,771
Unusable Reserves	1.32	121,599		162,003
<b>TOTAL RESERVES</b>			<b>148,508</b>	<b>189,774</b>

**CASH FLOW STATEMENT**

	Note	2016/17 £'000	2015/16 £'000
<b>OPERATING ACTIVITIES</b>			
<b>Net Surplus/(Deficit) on the Provision of Services</b>		<b>(19,606)</b>	<b>(12,304)</b>
<b>Non cash transactions</b>			
Depreciation and Impairment		19,710	17,122
Capital Grants		(5,999)	(10,766)
Pension Fund adjustments		5,762	6,453
Other non cash financial instrument adjustments		0	59
Other non cash adjustments		0	(563)
		(133)	1
<b>Adjustments for items reported separately on Cashflow</b>			
(Gain)/Loss on the disposal of Fixed Assets		(676)	(545)
<b>Items on an accrual basis</b>			
(Increase)/decrease in Stock		44	(37)
(Increase)/decrease in Debtors		(104)	664
Increase/(decrease) in Creditors		(1,081)	(1,408)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	1.33	<b>(1,950)</b>	<b>(1,325)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Purchase of fixed assets	(14,624)		(25,407)
Purchase of short term investments	(4,000)		0
Other Capital cash payments	(531)		(527)
		(19,155)	(25,934)
<b>Cash Inflows</b>			
Sale of fixed assets	3,473		2,663
Capital grants received	6,302		10,661
Proceeds from long term investments	1,000		0
Proceeds from short term investments	1,990		1,278
Other Capital Cash Receipts	793		624
		13,558	15,226
<b>Net Cash Flows from Investing Activities</b>		<b>(5,597)</b>	<b>(10,708)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Repayment of short term and long term borrowing	(1,444)		(497)
Payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(581)		(361)
		(2,025)	(858)
<b>Cash Inflows</b>			
New Loans Raised		0	2,617
<b>Net Cash Flows from Financing Activities</b>		<b>(2,025)</b>	<b>1,759</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>(9,572)</b>	<b>(10,274)</b>
<b>Cash and Cash Equivalents at beginning of the year</b>		<b>12,893</b>	<b>23,167</b>
<b>Cash and Cash Equivalents at end of the year</b>	1.24	<b>3,321</b>	<b>12,893</b>

## NOTES TO THE STATEMENT OF ACCOUNTS

### 1.1 ACCOUNTING POLICIES

#### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31<sup>st</sup> March 2017. 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 2016/17*, supported by International Financial Reporting Standards (IFRS).

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

#### 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 credit 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 2.5%.
- 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 Non Distributed Costs
  - 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 five were specifically identified as being potentially above this value and have been valued by an appropriately qualified External Valuer as of March 2015 and included in the Balance Sheet. One of these, the Tabernacle War Memorial was transferred back to the developer in November 2015, in accordance with the original agreement. These valuations were for insurance purposes at market value. These are presumed to have an indeterminate life and thus it is not considered appropriate to apply depreciation.

Art is acquired by both purchase and donation. Where an item is purchased it will be initially recognised at the purchase price if it is over the £10,000 de minimis level. If acquired by donation or bequest, and it is considered to be potentially worth more than the de minimis level, it will be subject to an external valuation in the appropriate manner.

### 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 by an appropriately qualified local jeweller based on current market value 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 is currently being extended into an adjacent vacant property. Expenditure on this project is being 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 for 2016/17 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 for 2016/17 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.

For 2016/17, 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 Ysgol Gyfun Penweddig PFI assets, and 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.

#### **xix. Operating Segments Reporting**

The 2016/17 code requires that the Council prepares its Comprehensive Income and Expenditure Statement on an operating segments basis, where the operating segments are consistent with the internal reporting provided to those responsible for allocating resources and assessing performance. This has then replaced the need for a separate note within the accounts for Operating Segments.

#### **xx. Overheads and Support Services**

The 2016/17 code has moved away from reporting in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice* (SeRCOP). The Comprehensive Income and Expenditure Statement is now 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 now excluded from the Comprehensive Income and Expenditure Statement.

#### **xxi. 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
- Assets under construction – Initially Historical Cost, then fair value determined by Market Value
- 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 will be revalued every five years. Those Community and Heritage Assets that are also valued at fair value will each be valued as a group in one of these years, along with the relevant Land & Buildings. 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.

#### **xxii. 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 posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### **xxiii. 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.

### **xxiv. 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.

### **xxv. 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.

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

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

## **1.2 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. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2017 for 2016/17). The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code are:

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

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

## **1.3 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:

### **PFI**

The Council is deemed to control the services provided by the PFI arrangements and also to control the residual value of the assets at the end of the contract. The accounting policy for PFI has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet. The operators' model was examined to identify the service element of the unitary charge. The implicit interest rate (IIR) was calculated by discounting the non-service element of the unitary charge at a rate that brings it back to the fair value of the asset. The fair value of the asset is taken as the construction or refurbishment costs of the scheme.

### **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.

### **Heritage Assets**

Some of the Heritage Assets have been difficult to value so judgements which are referenced in the notes have been made.

### **Local Authority Mortgage Scheme (LAMS)**

The Council has used the accounting treatment outlined by Wales Audit Office as opposed to that recommended by Sector Treasury Services Ltd and has therefore treated the deposit placed with the lender as an Investment rather than as Capital expenditure.

**Equal Pay**

A provision has been included in the accounts in relation to Equal Pay claims. The provision has been estimated using data in relation to employment records of current and former employees. Judgements have been made in the calculation of the provision which include the composite rate of tax which will be payable to Her Majesty's Revenues and Customs and also in relation to how different jobs compare with each other.

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

The Welsh Government has awarded the Council sums of money for various schemes that will have to be repaid to the Welsh Government 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 the future.

**Minimum Revenue Provision (MRP)**

During the 2015/16 financial year, considerable work was undertaken to revise the Council's MRP policy away from the historic 4% rate on a declining balance basis to a new rate of 2% on a straight line basis. Considering the level of funding from central government through revenue support grant it is believed that this will allow a more prudent approach to be taken to the repayment of debt. The impact of the revised policy will be kept under review and an additional amount of voluntary MRP is allowable on top of the minimum requirement calculated, should it be deemed appropriate.

**1.4 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 2017 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.



**Provisions**

The provisions have been estimated using the latest information that is available, however until the claims are settled it will be difficult to assess how accurate the provision is.

**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 1.17 and 1.18. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.

**1.5 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS**

<b>2016/17</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	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 and Commissioned	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
Additional Funding	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>	<b>(16,333)</b>	<b>2,376</b>	<b>18,846</b>	<b>4,889</b>
<b>Difference between General Fund surplus or deficit 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>

2015/16	Adjustments for Capital Purposes (Note A) £'000	Net change for Pensions Adjustments (Note B) £'000	Other Differences (Note C) £'000	Total Adjustments £'000
Leadership Group	2,637	48	60	2,745
Legal and Democratic	0	118	17	135
Performance and Economy	273	156	731	1,160
Finance	1,747	626	(7,865)	(5,492)
ICT and Customer Services	395	145	9	549
Human Resources and Health and Safety	0	65	62	127
Families and Children	4	291	79	374
Adult and Commissioned	446	623	26	1,095
Lifestyle	1,420	339	99	1,858
Learning	4,884	995	(1,137)	4,742
Policy Support	134	97	29	260
Technical	4,590	695	(49)	5,236
Additional Funding	0	0	(3,673)	(3,673)
<b>NET COST OF SERVICES</b>	<b>16,530</b>	<b>4,198</b>	<b>(11,612)</b>	<b>9,116</b>
<b>Other Income and Expenditure</b>	<b>(21,045)</b>	<b>2,255</b>	<b>19,671</b>	<b>881</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(4,515)</b>	<b>6,453</b>	<b>8,059</b>	<b>9,997</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.

**1.6 EXPENDITURE AND INCOME ANALYSED BY NATURE**

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

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Controllable Expenditure</b>		
Employees	92,151	91,023
Premises	10,975	10,300
Transport	11,489	12,493
Supplies and Services	98,777	104,901
<b>Total Expenditure</b>	<b>213,392</b>	<b>218,717</b>
<b>Controllable Income</b>		
Grants	41,411	42,824
Other Income	32,988	32,727
Contract Services/Schools	4,497	7,626
<b>Total Income</b>	<b>78,896</b>	<b>83,177</b>
<b>Controllable Before Reserves</b>	<b>134,496</b>	<b>135,540</b>
Revenue Expenditure Funded from Capital under Statute	1,964	4,376
IAS19 <i>Employee Benefits</i> adjustments	5,762	6,453
Accumulated Absences	608	(275)
Depreciation, amortisation and impairment	19,710	17,122
(Gain)/Loss on disposal of assets	(825)	(865)
Capital Expenditure charged to the General Fund	(1,180)	(3,342)
Other capital accounting adjustments	(2,728)	(2,705)
Precepts	7,052	6,990
Taxation and non-specific grant income	(145,253)	(150,990)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>19,606</b>	<b>12,304</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.

2016/2017

## 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	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

**Adjustments involving the Deferred Capital Receipts Reserve:**

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)
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**Adjustments involving the Financial Instruments Adjustment Account:**

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)
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**Adjustments involving the Pensions Reserve:**

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

**Adjustments involving the Accumulated Absences Account:**

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)
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<b>Total Adjustments</b>	<b>17,313</b>	<b>1,330</b>	<b>101</b>	<b>(18,744)</b>
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**2015/2016****Usable Reserves**

	General Fund Balance	Usable Capital Receipts	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'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	10,253	0	0	(10,253)
Revaluation losses on PPE	6,125	0	0	(6,125)
Movement in the fair value of Investment Properties	744	0	0	(744)
Capital grants and contributions applied	(10,340)	0	0	10,340
Revenue expenditure funded from capital under statute	4,376	0	0	(4,376)
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	2,118	0	0	(2,118)
<u>Insertion of items not debited or credited on the Comprehensive I&amp;E Statement:</u>				
Statutory provision for the financing of capital investment	(2,764)	0	0	2,764
Capital expenditure charged against the General Fund	(3,342)	0	0	3,342
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	(427)	0	427	0

Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	(205)	205
<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	(2,738)	2,738	0	0
Use of Capital Receipts to finance new capital expenditure	0	(2,847)	0	2,847
Contribution from the Capital Receipts Reserve to finance administrative costs of non-current asset disposals	67	(67)	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	(312)	0	0	312
<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	59	0	0	(59)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	14,362	0	0	(14,362)
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,909)	0	0	7,909
<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	(275)	0	0	275
<b>Total Adjustments</b>	<b>9,997</b>	<b>(176)</b>	<b>222</b>	<b>(10,043)</b>

**1.8 EARMARKED RESERVES AND DELEGATED SCHOOLS BALANCES**  
**A summary of the earmarked reserves set up by the Council is set out below:**

	31/03/15 Balance £'000	Transfer to £'000	Transfer from £'000	31/03/16 Balance £'000	Transfer to £'000	Transfer from £'000	31/03/17 Balance £'000
Legal & Democratic	305	50	0	355	0	0	355
<b>Legal &amp; Democratic</b>	<b>305</b>	<b>50</b>	<b>0</b>	<b>355</b>	<b>0</b>	<b>0</b>	<b>355</b>
Funding Equalisation	231	747	0	978	0	0	978
Corporate Redundancy	420	687	(183)	924	0	(121)	803
Insurance all risks	267	64	(30)	301	0	0	301
Finance - General	221	0	0	221	0	0	221
<b>Finance</b>	<b>1,139</b>	<b>1,498</b>	<b>(213)</b>	<b>2,424</b>	<b>0</b>	<b>(121)</b>	<b>2,303</b>
ICT & Customer	237	0	(82)	155	0	(21)	134
<b>ICT &amp; Customer</b>	<b>237</b>	<b>0</b>	<b>(82)</b>	<b>155</b>	<b>0</b>	<b>(21)</b>	<b>134</b>
Families & Children	31	0	(16)	15	0	0	15
<b>Families &amp; Children</b>	<b>31</b>	<b>0</b>	<b>(16)</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>15</b>
SSLD Respite Care	16	0	(16)	0	0	0	0
Independent Community Equipment Service (ICES)	45	0	(18)	27	0	(1)	26
Reablement	106	0	(106)	0	0	0	0
Adult Social Care Projects	165	0	(131)	34	0	(34)	0
Supporting People	201	85	(286)	0	0	0	0
Community Care	0	240	(125)	115	0	(115)	0
Commissioning & Assurance	67	0	(67)	0	0	0	0
Creating Opportunities & Skills Teams Alliance	41	0	(41)	0	0	0	0
<b>Adult &amp; Commissioned</b>	<b>641</b>	<b>325</b>	<b>(790)</b>	<b>176</b>	<b>0</b>	<b>(150)</b>	<b>26</b>
Lifestyle Services	496	26	(232)	290	0	0	290
Sewage Treatment Works Improvement Programme	874	57	(367)	564	0	0	564
<b>Lifestyle</b>	<b>1,370</b>	<b>83</b>	<b>(599)</b>	<b>854</b>	<b>0</b>	<b>0</b>	<b>854</b>
Education Penweddig PFI	2,664	565	(1,291)	1,938	0	(842)	1,096
Delegated Schools Budget - Primary	1,234	558	(115)	1,677	192	(413)	1,456
Delegated Schools Budget - Secondary	(142)	560	(140)	278	223	(435)	66
Delegated Schools Budget - All Through	(48)	92	(59)	(15)	249	(46)	188
Insurances - Supply Cover	72	19	0	91	0	0	91
Developing Education in Ceredigion Learning	5,699	0	(3,201)	2,498	0	(1,112)	1,386
School Days	246	0	0	246	98	0	344
<b>Learning</b>	<b>9,755</b>	<b>1,794</b>	<b>(4,806)</b>	<b>6,743</b>	<b>762</b>	<b>(2,848)</b>	<b>4,657</b>
Policy Support	123	8	0	131	0	0	131
<b>Policy Support</b>	<b>123</b>	<b>8</b>	<b>0</b>	<b>131</b>	<b>0</b>	<b>0</b>	<b>131</b>
Local Development Plan	285	0	0	285	0	0	285
Performance & Economy	225	110	(88)	247	0	0	247
Food Centre Wales (Horeb)	475	0	(171)	304	0	(87)	217
<b>Performance &amp; Economy</b>	<b>985</b>	<b>110</b>	<b>(259)</b>	<b>836</b>	<b>0</b>	<b>(87)</b>	<b>749</b>
Technical	838	150	(515)	473	0	0	473
Waste Transfer Facilities/Equipment	2,083	622	(353)	2,352	584	(630)	2,306
Renewable Energy	35	2	(2)	35	8	(2)	41
Corporate Passenger Transport Unit	576	38	(190)	424	38	(125)	337
School Transport - School Days	10	35	0	45	0	0	45
Winter Maintenance/Storm Repairs	197	200	0	397	0	0	397
Environmental & Flood Protection	310	0	(33)	277	0	0	277
Civil Parking Enforcement Reserve	41	0	(25)	16	14	0	30
<b>Technical</b>	<b>4,090</b>	<b>1,047</b>	<b>(1,118)</b>	<b>4,019</b>	<b>644</b>	<b>(757)</b>	<b>3,906</b>



Corporate Capital	762	697	0	1,459	0	(250)	1,209
External Funding Equalisation	200	0	(200)	0	0	0	0
Corporate - Joint Arrangements	57	0	(17)	40	0	(9)	31
Human Resources & Corporate Health & Safety	151	0	(46)	105	0	0	105
Contingency	74	266	(8)	332	400	(76)	656
Severance Pay	0	400	(400)	0	0	0	0
<b>Leadership Group</b>	<b>1,244</b>	<b>1,363</b>	<b>(671)</b>	<b>1,936</b>	<b>400</b>	<b>(335)</b>	<b>2,001</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>19,920</b>	<b>6,278</b>	<b>(8,554)</b>	<b>17,644</b>	<b>1,806</b>	<b>(4,319)</b>	<b>15,131</b>

The balance on the Total Earmarked Reserves reduced by £2,513k in 2016/17 and £2,276k in 2015/16.

## NOTES TO THE EARMARKED RESERVES – INCLUDING SPECIFIC NOTES ON THE LARGER RESERVES

### Legal & Democratic

This reserve includes provision for future County Council election costs, future Members' IT replacement costs and for fluctuation in future Legal and Land Charges Income levels.

### Finance

Various reserves are held to meet specific service requirements, including smoothing out any significant fluctuating service costs and meeting one off costs that arise.

The Funding Equalisation reserve will assist to smooth out any sudden movements due to interest rate changes and will smooth out the impact of changes to the Minimum Revenue Policy.

The Insurance reserves have been established by the Council to finance the excess levels applicable to insurance claims and to finance claims where the insurance cover is provided in-house by the Council. It also serves to provide financial assistance in providing security measures, in order to minimise the potential of future claims and to provide flexibility in negotiating future premiums.

The Corporate Redundancy reserve has been established to fund redundancy costs that arise for both teaching and non-teaching staff.

The General reserve is to fund Information Technology developments and to also smooth out any other significant service related payments including discretionary housing payments.

### ICT & Customer

This reserve is primarily to smooth out any significant service related payments and fund the replacement cost of the Multi-Functional Devices.

### Community Care

This reserve will meet future one off non-recurring expenditure or will assist in managing budget pressures in any particular financial year.

**Lifestyle**

This reserve includes an income equalisation element to assist with managing the 5 yearly HMO licensing income fluctuations and variations in the annual level of Planning and Building control fee income. Funding is also set aside for specific one-off costs e.g. temporary staffing/contractor commitments.

**Sewage Treatment Works Improvement Programme**

This reserve exists to provide resources to part fund the housing stock transfer legacy of the Council's retained Sewage Treatment Works. The funding will be used towards the upgrading of STW facilities to the relevant adoption standards, so that they can be transferred across to Dŵr Cymru.

**Education 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.

**Supply Cover Insurance**

This reserve consists of funding delegated to schools and set aside to deal with fluctuations in the need to cover school staff absent for sickness, maternity, paternity and adoption.

**Developing Education in Ceredigion**

This reserve has been earmarked in full to fund the development of Henry Richard all-through school in Tregaron and Dyffryn Cledlyn primary school in Drefach. The reserve is expected to be fully utilised by the end of 2017/18.

**Learning**

This reserve will provide funding towards the education capital programme and unavoidable short-term expenditure.

**School Days**

This reserve is set aside to deal with fluctuations in cost due to the timing of school holidays which varies from year to year.

**Policy Support**

This reserve is set aside to support partnership working and projects to support the Welsh language.

**Local Development Plan**

This reserve exists to provide additional resources over and above the base budget allowance for the LDP.

**Performance & Economy**

This reserve includes monies set aside to fund obligations (e.g. redundancy) that may arise from the current European / RDP funding programmes and matched funding for current and future grant funded programmes.

**Food Centre Wales (Horeb)**

This reserve incorporates monies set aside to provide matched funding for current and future grant funded projects and also to cover any interim gaps in grant funding if they arise between the end of one funding stream and the beginning of another, or ultimately to provide for redundancy costs if new funding sources are not forthcoming.

**Technical**

This reserve incorporates monies set aside to deal with service reviews and initiatives where a lead in time is required to secure the new procedure and initiatives. It will also be used to negate any future activity changes i.e. reducing fees from Agency and capital work and any obligations of disposal of road sweepings.

**Waste Transfer Facilities/Equipment Reserve**

This reserve represents monies set aside to fund new vehicles and/or waste management facilities required to meet waste management initiatives introduced to enable the Council to work towards achieving targets for waste minimisation and diversion. Substantial expenditure on new fleet following a kerbside collection review is expected.

**Corporate Passenger Transport**

This reserve is held to meet future issues for Corporate Passenger Transport and has been generated through additional financial benefits which have been accrued through past procurement opportunities and savings due to reduced demand for home to school/college transport during adverse winter weather.

**Winter Maintenance/Storm Repairs**

This reserve is held for the harsh winters that may arise in the future, when expenditure might exceed the annual revenue budget.

**Environmental & Flood Protection Reserve**

This reserve has been set up from an accumulation of Welsh Government Grants relating to the future work associated with Flood Risk Regulations 2009 and Flood Water Management Act 2010.

**Corporate Capital**

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

**Joint Arrangements**

This reserve holds funding that is held on Council's behalf by organisations that the Council works in partnerships with on specific areas of work. Currently the reserve holds funds relating to Education through Regional Working (ERW).

**Human Resources & Corporate Health & Safety**

This reserve will be used to fund the cost of HR developments and Health & Safety initiatives.

**Contingency**

This reserve will be used to fund one off costs which are not service specific.

**Severance Pay**

This reserve was created to ring fence funding to meet the cost of the Severance Scheme.

**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**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Community Council Precepts	918	894
Dyfed Powys Police Precept	6,134	6,096
Levies	3,704	3,673
Loss/(Gain) on the disposal of non-current assets	(858)	(412)
<b>Total</b>	<b><u>9,898</u></b>	<b><u>10,251</u></b>

**1.10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2016/17</b>	<b>Restated 2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable and other charges	6,007	6,223
Pensions interest cost and expected return on pensions assets	2,371	2,248
Interest receivable and similar income	(77)	(139)
Deficit on Trading Operations	32	32
Income and Expenditure in relation to Investment Properties	(266)	(267)
Surplus/deficit on sale of Investment Properties	32	(453)
Changes to fair value on Investment Properties	(58)	743
<b>Total</b>	<b><u>8,041</u></b>	<b><u>8,387</u></b>

This note was restated for 2015/16 due to the changes made on reorganising the Comprehensive Income and Expenditure Statement format. Recharges to and from Services are now excluded from the figures.

**1.11 TAXATION AND NON SPECIFIC GRANT INCOME**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Council tax income	42,244	40,968
Non domestic rates	23,699	22,992
Non-ringfenced government grants (RSG)	73,311	76,263
Capital grants and contributions	5,999	10,767
<b>Total</b>	<b><u>145,253</u></b>	<b><u>150,990</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 - £30,660.60 for 2016/17 (£30,467.50 in 2015/16).

**Council Tax Base for Ceredigion County Council 2016/17**

Tax Base (@ 96.5% collection rate)

<u>Band</u>	<u>Tax Base</u>
A*	2.28
A	1,052.98
B	2,952.31
C	5,441.74
D	6,225.70
E	9,001.22
F	4,418.98
G	1,370.30
H	156.81
I	38.28
<b>Total Tax Base</b>	<b>30,660.60</b>

The basic Council Tax amount for Band D property is £1,353.68 in 2016/17 (£1,299.59 in 2015/16) 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:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax Collected	42,274	40,968
Less:		
(Increase)/Decrease Provision for Non-payment	(30)	0
<b>Net Proceeds from Council Tax</b>	<b><u>42,244</u></b>	<b><u>40,968</u></b>

The net proceeds can be analysed as follows:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Ceredigion County Council	35,192	33,979
Precept for Dyfed Powys Police Authority	6,134	6,095
Precept for Town and Community Councils	918	894
	<b><u>42,244</u></b>	<b><u>40,968</u></b>

### National Non-Domestic Rates (NNDR)

NNDR is operated on a national basis. The Welsh Government specifies an amount for the rate which was 48.6p in 2016/17 (48.2p in 2015/16), 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 £16,787,849 for 2016/17 (£17,353,688 for 2015/16), was based on a rateable value as at 31 March 2017 of £53,487,333 (£51,877,707 as at 31 March 2016). New rateable values for non-domestic properties were introduced from 1 April 2010.

Analysis of the Net Proceeds from Non-Domestic Rates:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Non-Domestic Rates Collectable	16,788	17,353
Less:		
Cost of Collection	(190)	(187)
Bad and Doubtful Debts	(19)	(6)
Payment into National Pool	<u>16,579</u>	<u>17,160</u>
<b>Redistribution from National Pool</b>	<b><u>23,699</u></b>	<b><u>22,992</u></b>

**1.12 GRANT INCOME****Revenue Grants**

Credited to Services:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
WG - Post 16 Funding	3,623	3,588
WG - Educational Improvement Grant	3,083	3,237
WG - Supporting People Grant	2,942	2,942
WG - Sustainable Waste Management	1,794	1,795
WG - Flying Start Grant	1,089	1,074
WG - Concessionary Fares Grant	683	732
WG - Outcome Agreement Grant	0	751
WG - Families First	627	710
WG - Bus Grant	579	566
WG - Welsh Independent Living Grant	512	385
DWP - Housing Benefit Subsidy	18,004	18,905
DWP - Housing Benefit Admin Grants	265	317
Other Government Grants and contributions	7,841	7,674
<b>Total Government Grants in Net Cost of Services</b>	<b><u>41,042</u></b>	<b><u>42,676</u></b>

**Capital Grants and Contributions**

Credited to Taxation and Non-Specific Grant Income:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
WG - 3-19 School Llandysul	723	6,383
WG - Borth Coast Protection Phase 2B	0	18
WG - General Capital Grant	1,776	1,775
WG - A486 Post Bach - Synod Inn	1,014	1,275
WG - Drefach School	989	0
HLF - Ceredigion Museum - New Approaches	377	0
Other Grants	1,120	1,316
	<b><u>5,999</u></b>	<b><u>10,767</u></b>

**1.13 PROPERTY, PLANT AND EQUIPMENT**

Movements in 2016/2017:

	Public Buildings £'000	Educational Buildings £'000	Offices & Operational £'000	Social Services Buildings £'000	Land 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	21,045	130,702	20,419	10,756	9,663	16,513	139,133	1,278	487	26,185	376,181
Additions	78	1,238	208	306	35	542	3,433	364	0	7,769	13,973
Revaluation increases /(decreases) in the Revaluation Reserve	165	657	1,868	173	25	0	0	2	(20)	0	2,870
Revaluation increases /(decreases) in the Surplus/Deficit on the Provision of Services	(40)	(3,327)	(1,924)	(2,396)	(4)	24	0	0	(11)	0	(7,678)
Derecognition-disposals	(8)	0	0	0	(1,672)	(272)	0	0	(199)	(96)	(2,247)
Derecognition-other	234	583	421	45	69	3	5	0	0	0	1,360
Assets reclassified to /(from) Held for Sale	0	(1,390)	(568)	0	(700)	0	0	0	(3,290)	0	(5,948)
Assets reclassified to /from AUC	0	28,224	0	0	0	0	0	0	0	(28,224)	0
Other movements	(59)	(3,797)	(14)	(71)	(311)	610	(1)	0	3,355	(24)	(312)
<b>At 31 March 2017</b>	<b>21,415</b>	<b>152,890</b>	<b>20,410</b>	<b>8,813</b>	<b>7,105</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	(1,577)	(3,617)	(64)	(812)	(13)	(10,128)	(13,527)	0	(198)	0	(29,936)
Depreciation charge	(926)	(3,756)	(476)	(225)	(1)	(1,154)	(2,498)	0	(14)	0	(9,050)
Depreciation written out to Reval. Reserve	0	0	0	0	0	0	0	0	0	0	0
Depreciation written out to Surplus/Deficit on the Provision of Services	25	178	142	1,037	0	6	0	0	4	0	1,392
Impairment losses /(reversals) in the Revaluation Reserve	(7)	(701)	(93)	(116)	17	0	(2)	0	0	0	(902)
Impairment losses /(reversals) in the Surplus/Deficit on the Provision of Services	(12)	(88)	(80)	20	(52)	3	2	0	0	0	(207)
Derecognition-disposals	2	0	0	0	0	226	0	0	77	0	305
Derecognition-other	(234)	(583)	(421)	(45)	(69)	(3)	(5)	0	0	0	(1,360)
Other movements	0	130	3	0	65	0	0	0	2	0	200
<b>At 31 March 2017</b>	<b>(2,729)</b>	<b>(8,437)</b>	<b>(989)</b>	<b>(141)</b>	<b>(53)</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>18,686</b>	<b>144,453</b>	<b>19,421</b>	<b>8,672</b>	<b>7,052</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>19,468</b>	<b>127,085</b>	<b>20,355</b>	<b>9,944</b>	<b>9,650</b>	<b>6,385</b>	<b>125,606</b>	<b>1,278</b>	<b>289</b>	<b>26,185</b>	<b>346,245</b>



## Movements in 2015/2016:

	Public Buildings £'000	Educational Buildings £'000	Offices & Operational £'000	Social Services Buildings £'000	Land 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 2015	21,470	143,278	21,147	10,108	9,981	17,834	135,496	649	1,132	9,260	370,355
Adjustment of 31 March 2015 Balance	(481)	(3,431)	(18)	(8)	0	0	0	0	0	0	(3,938)
At 1 April 2015	20,989	139,847	21,129	10,100	9,981	17,834	135,496	649	1,132	9,260	366,417
Additions	188	323	438	1,182	33	1,662	3,637	637	0	17,639	25,739
Revaluation increases / (decreases) in the Revaluation Reserve	170	(4,418)	953	(8)	326	0	0	(8)	(612)	0	(3,597)
Revaluation increases / (decreases) in the Surplus/Deficit on the Provision of Services	(58)	(4,002)	(2,733)	(304)	0	0	0	0	(596)	0	(7,693)
Derecognition-disposals	0	0	(13)	0	0	(2,948)	0	0	(185)	0	(3,146)
Derecognition-other	(140)	196	(177)	(214)	(33)	(746)	0	0	0	(43)	(1,157)
Assets reclassified to / (from) Held for Sale	0	0	0	0	(385)	0	0	0	0	0	(385)
Assets reclassified to / from AUC	0	0	671	0	0	0	0	0	0	(671)	0
Other movements	(104)	(1,244)	151	0	(259)	711	0	0	748	0	3
<b>At 31 March 2016</b>	<b>21,045</b>	<b>130,702</b>	<b>20,419</b>	<b>10,756</b>	<b>9,663</b>	<b>16,513</b>	<b>139,133</b>	<b>1,278</b>	<b>487</b>	<b>26,185</b>	<b>376,181</b>
<b>Accumulated Depreciation and Impairment</b>											
At 31 March 2015	(1,782)	(95)	(953)	(593)	(7)	(11,798)	(10,992)	0	(242)	0	(26,462)
Adjustment of 31 March 2015 Balance	1,219	1	0	0	0	0	0	0	0	0	1,220
At 1 April 2015	(563)	(94)	(953)	(593)	(7)	(11,798)	(10,992)	0	(242)	0	(25,242)
Depreciation charge	(1,013)	(4,235)	(486)	(219)	(6)	(1,226)	(2,535)	0	(59)	0	(9,779)
Depreciation written out to Reval. Reserve	0	0	0	0	0	0	0	0	0	0	0
Depreciation written out to Surplus/Deficit on the Provision of Services	0	719	1,374	0	0	0	0	0	75	0	2,168
Impairment losses / (reversals) in the Revaluation Reserve	(143)	(215)	(43)	(38)	(31)	0	(3)	0	0	0	(473)
Impairment losses / (reversals) in the Surplus/Deficit on the Provision of Services	3	404	(134)	(176)	(2)	(746)	3	0	0	(43)	(691)
Derecognition-disposals	0	0	1	0	0	2,924	0	0	0	0	2,925
Derecognition-other	140	(196)	177	214	33	746	0	0	0	43	1,157
Other movements	(1)	0	0	0	0	(28)	0	0	28	0	(1)
<b>At 31 March 2016</b>	<b>(1,577)</b>	<b>(3,617)</b>	<b>(64)</b>	<b>(812)</b>	<b>(13)</b>	<b>(10,128)</b>	<b>(13,527)</b>	<b>0</b>	<b>(198)</b>	<b>0</b>	<b>(29,936)</b>
<b>Net Book Value</b>											
At 31 March 2016	19,468	127,085	20,355	9,944	9,650	6,385	125,606	1,278	289	26,185	346,245
At 31 March 2015	19,688	143,183	20,194	9,515	9,974	6,036	124,504	649	890	9,260	343,893

**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 2016/17 were Social Services Buildings. 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:

	Public Buildings £'000	Educational Buildings £'000	Offices & Operational Buildings £'000	Social Services Buildings £'000	Land £'000	Vehicles, Plant, Furniture & Equipment £'000	Surplus Assets £'000
Carried at historical cost:	17	328	0	0	0	17,420	182
Valued at fair value as at:							
31 March 2017	201	39,167	6,813	8,074	740		75
31 March 2016	16,283	90,397	13,215	739	189	0	0
31 March 2015	1,365	22,998	0	0	17	0	0
31 March 2014	3,549	0	382	0	4,725	0	0
31 March 2013	0	0	0	0	1,434	0	65
<b>TOTAL</b>	<b>21,415</b>	<b>152,890</b>	<b>20,410</b>	<b>8,813</b>	<b>7,105</b>	<b>17,420</b>	<b>322</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>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Rental income from investment property	983	952
Direct operating expenses arising from investment property	(717)	(685)
<b>Net gain/(loss)</b>	<b><u>266</u></b>	<b><u>267</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>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start of the year	17,928	19,584
Additions:		
Subsequent expenditure	91	16
Disposals	(724)	(929)
Net gains/(losses) from fair value investments	149	(743)
Transfers (to)/from Property, Plant and Equipment	246	0
Other changes	(91)	0
<b>Balance at the end of year</b>	<b><u>17,599</u></b>	<b><u>17,928</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 2015</b>	<b>1,154</b>	<b>1,113</b>	<b>115</b>	<b>70</b>	<b>54</b>	<b>2,506</b>
Additions	0	0	0	0	0	0
Disposals	0	0	(20)	0	0	(20)
Revaluations	0	(30)	0	0	0	(30)
<b>31st March 2016</b>	<b><u>1,154</u></b>	<b><u>1,083</u></b>	<b><u>95</u></b>	<b><u>70</u></b>	<b><u>54</u></b>	<b><u>2,456</u></b>

<b>Cost or Valuation</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>

Further information on the Council's Heritage Assets is available in the Accounting Policies section of the Statement of Accounts (Note 1.1 – Part xii).

**1.16 HERITAGE ASSETS – SUMMARY OF TRANSACTIONS**

Expenditure in 2016/17 consists entirely of work on the new museum building at 53-55 Terrace Road that was commenced in this period. This amounted to £441k.

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

<b>Category / Sub Category</b>				<b>Fair Value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>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>

<b>Category / Sub Category</b>				<b>Fair Value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>as at 31/03/2016</b>
Assets Held for Sale	0	741	0	741
Corporate Estate	0	0	11,916	11,916
Empty Property	0	0	856	856
Industrial Estate	254	0	552	806
Investment Properties	117	328	2,810	3,255
Investment Properties Held for Sale	0	0	340	340
Kiosks	0	0	333	333
Leased Building	0	50	72	122
Mart	0	0	170	170
Pier Building	0	50	0	50
Surplus Property	0	0	80	80
Surplus	0	289	0	289
	<b>371</b>	<b>1,458</b>	<b>17,129</b>	<b>18,958</b>

**Transfers between Levels of Fair Value Hierarchy**

There were no transfers between Levels 1 and 2 during 2016/17.

## 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

	2016/17	2015/16
	£'000	£'000
Opening Balance	17,129	0
Transfers into Level 3	7,304	17,779
Transfers out of Level 3	(91)	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(20)	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,081)	(650)
Additions	91	
Disposals	(594)	
Depreciation charge	(1)	
Closing Balance	<u>19,737</u>	<u>17,129</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

<b>Sub Category</b>	<b>As at 31/03/2017 £'000</b>	<b>Valuation technique used to measure fair value</b>
Commercial	19,737	Valuation based on the market rent passing or terms agreed for the property
	<u><b>19,737</b></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.

#### 1.18 FINANCIAL INSTRUMENTS

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

	<b>Long Term</b>		<b>Current</b>	
	<b>31/03/17</b>	<b>31/03/16</b>	<b>31/03/17</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Investments</b>				
Loans and Receivables	0	1,026	5,035	3,011
<b>Total Investments</b>	<u><b>0</b></u>	<u><b>1,026</b></u>	<u><b>5,035</b></u>	<u><b>3,011</b></u>
	<b>Long Term</b>		<b>Current</b>	
	<b>31/03/17</b>	<b>31/03/16</b>	<b>31/03/17</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Debtors</b>				
Loans and Receivables	1,987	1,650	0	0
Financial Assets carried at contract value	0	0	13,603	15,486
<b>Total Debtors</b>	<u><b>1,987</b></u>	<u><b>1,650</b></u>	<u><b>13,603</b></u>	<u><b>15,486</b></u>
	<b>Long Term</b>		<b>Current</b>	
	<b>31/03/17</b>	<b>31/03/16</b>	<b>31/03/17</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	108,023	115,523	6,988	932
<b>Total Borrowings</b>	<u><b>108,023</b></u>	<u><b>115,523</b></u>	<u><b>6,988</b></u>	<u><b>932</b></u>
	<b>Long Term</b>			
	<b>31/03/17</b>	<b>31/03/16</b>		
	<b>£'000</b>	<b>£'000</b>		
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	6,345	6,926		
<b>Total Other Long Term Liabilities</b>	<u><b>6,345</b></u>	<u><b>6,926</b></u>		
	<b>Long Term</b>		<b>Current</b>	
	<b>31/03/17</b>	<b>31/03/16</b>	<b>31/03/17</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Creditors</b>				
Financial Liabilities at amortised cost	0	0	19,682	21,149
<b>Total Creditors</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>19,682</b></u>	<u><b>21,149</b></u>

**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:

	2016/2017			2015/2016		
	Financial Liabilities at amortised cost £'000	Financial Assets: Loans & Receivables £'000	Total £'000	Financial Liabilities at amortised cost £'000	Financial Assets: Loans & Receivables £'000	Total £'000
Interest Expense	6,053	0	6,053	6,044	0	6,044
Fee expense	9	0	9	17	0	17
<b>Total expense in Surplus/Deficit on the Provision of Services</b>	<b>6,062</b>	<b>0</b>	<b>6,062</b>	<b>6,061</b>	<b>0</b>	<b>6,061</b>
Interest Income	0	(145)	(145)	0	(188)	(188)
Interest income accrued on impaired financial assets	0	0	0	0	(45)	(45)
<b>Total income in Surplus/Deficit on the Provision of Services</b>	<b>0</b>	<b>(145)</b>	<b>(145)</b>	<b>0</b>	<b>(233)</b>	<b>(233)</b>
<b>Net (gain)/loss for the year</b>	<b>6,062</b>	<b>(145)</b>	<b>5,917</b>	<b>6,061</b>	<b>(233)</b>	<b>5,828</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 2017		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities (All - Premature Repayment rates)	115,011	180,362	116,455	169,841
Financial Liabilities (All - New Loans rate)	115,011	156,489	116,455	147,932
Financial Liabilities (PWLB loans only - Premature Repayment rate)	107,957	168,749	108,889	159,251
Financial Liabilities (PWLB loans only - New Loans rate)	107,957	147,067	108,889	139,332

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 2017, 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.

### 1.19 LONG TERM DEBTORS

The Council's long term debtors are analysed as follows:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Adult Social Care - charges against Estates	934	629
Housing related Debtors	912	857
Other	141	164
	<u><b>1,987</b></u>	<u><b>1,650</b></u>



**1.20 INVENTORIES****2016/2017**

	Catering Services	Highways Services	Transport Maintenance Unit	Refuse	Highways Salt Stock	Tourist Information Centres & Museum	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>	<b>19</b>	<b>206</b>	<b>72</b>	<b>6</b>	<b>289</b>	<b>47</b>	<b>639</b>
Purchases	464	1,196	363	1	216	21	2,261
Expenses	(464)	(1,232)	(360)	(4)	(219)	(26)	(2,305)
Written Off	0	0	0	0	0	0	0
<b>Balance at year-end</b>	<b>19</b>	<b>170</b>	<b>75</b>	<b>3</b>	<b>286</b>	<b>42</b>	<b>595</b>

**2015/2016**

	Catering Services	Highways Services	Transport Maintenance Unit	Refuse	Highways Salt Stock	Tourist Information Centres & Museum	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>	<b>26</b>	<b>221</b>	<b>70</b>	<b>6</b>	<b>243</b>	<b>36</b>	<b>602</b>
Purchases	500	849	380	163	193	40	2,125
Expenses	(507)	(864)	(378)	(163)	(147)	(29)	(2,088)
Written Off	0	0	0	0	0	0	0
<b>Balance at year-end</b>	<b>19</b>	<b>206</b>	<b>72</b>	<b>6</b>	<b>289</b>	<b>47</b>	<b>639</b>

**1.21 CAPITAL COMMITMENTS**

The Council is currently committed to the following large Capital Schemes in 2017/18

<b>Purpose:</b>	
21 <sup>st</sup> Century Schools Programme	To complete Drefach area school and commence the new primary school wing at the Henry Richard site.
21 <sup>st</sup> Century Schools Programme (Phase 2)	To build an extension at Llanilar Primary School to accommodate the pupils being taught in the main hall and to build an extension at Comins Coch Primary School in order to ensure sufficient toilet facilities are available.
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.
Ceredigion Museum – New Approaches	To undertake building improvement works to the Ceredigion Museum in Aberystwyth.
Canolfan y Bont, Ysgol Bro Pedr, Lampeter	To build a new SEN on the Bro Pedr site.
Local Transport Fund and Safe Routes in Communities	To provide safe routes (footways etc.) in communities and provide infrastructure to support Active Travel.
Llanbadarn HCT Centre	Building renovation works including re-roofing.
Street Lighting Programme	To replace old street lamps with new efficient street lighting.

	Budget in 2017/18	Total Project Costs	Contractor Contract Costs	Period of Investment
	£'000	£'000	£'000	
21 <sup>st</sup> Century Schools Programme	2,940	39,200	29,500	5 years
21 <sup>st</sup> Century Schools Programme (Phase 2)	806	806	906	2 years
Sewage Treatment Works (STWs)	1,456	5,250	2,860	9 years
Ceredigion Museum – New Approaches	689	1,161	822	18 months
Canolfan y Bont, Ysgol Bro Pedr, Lampeter	720	680	630	3 years
Local Transport Fund and Safe Routes in Communities	346	575	249	1 year
Llanbadarn HCT Centre	300	388	328	2 years
Street Lighting Programme	384	1,163	350	3 years

## 1.22 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 2016/17. This has enabled the Council to capitalise certain qualifying revenue expenditure. The following projects have made use of the guidance and direction:

<b>Project</b>	<b>Expenditure incurred in year</b>	<b>Expenditure Capitalised and funded through Capital Receipts</b>	<b>Overall Future Expected Savings for each project</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Social Care Service Redesign	33	33	3,802
Technical Services Redesign	154	154	2,400
Customer Services Transformation	31	31	472
Smarter Working (including Building rationalisation)	76	76	370
	<b>294</b>	<b>294</b>	<b>7,044</b>

The overall expected savings for each project is the latest estimate of annual savings expected as a result of expenditure incurred in 2016/2017 and expenditure that will be incurred during the next few years.

### 1.23 DEBTORS

	<b>31/03/17</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>
Central Government Bodies	7,800	9,378
Impairment Allowance	(28)	(13)
<b>Central Government Bodies</b>	<b>7,772</b>	<b>9,365</b>
Other Local Authorities	2,073	2,066
Impairment Allowance	(280)	(113)
<b>Other Local Authorities</b>	<b>1,793</b>	<b>1,953</b>
NHS Bodies	1,099	547
Impairment Allowance	(292)	(221)
<b>NHS Bodies</b>	<b>807</b>	<b>326</b>
Public corporations and trading funds	12	64
Impairment Allowance	0	0
<b>Public corporations and trading funds</b>	<b>12</b>	<b>64</b>
Other entities and individuals	8,141	8,110
Impairment Allowance	(996)	(1,323)
<b>Other entities and individuals</b>	<b>7,145</b>	<b>6,787</b>
<b>Total</b>	<b>17,529</b>	<b>18,495</b>

### 1.24 CASH AND CASH EQUIVALENTS

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

	<b>31/03/17</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>
Cash held by the Council	34	37
Bank current accounts	(2,568)	(4,174)
Short-term deposits with banks/building societies/other financial institutions	5,855	17,030
<b>Total Cash and Cash Equivalents</b>	<b>3,321</b>	<b>12,893</b>

The Bank current accounts include all outstanding cheques.

**1.25 ASSETS HELD FOR SALE**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start of year	740	2,111
Assets newly classified as held for sale		
- Property, Plant and Equipment	5,878	385
Revaluation losses	(4,239)	(841)
Revaluation gains	16	34
Assets declassified as held for sale		
- Property, Plant & Equipment	(65)	0
Assets sold	(132)	(949)
<b>Balance at end of year</b>	<b>2,198</b>	<b>740</b>

**1.26 CREDITORS**

	<b>31/03/17</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>
Central Government Bodies	2,190	1,620
Other Local Authorities	1,011	940
NHS Bodies	284	206
Public corporations and trading funds	31	5
Other entities and individuals	16,860	18,895
<b>Total</b>	<b>20,376</b>	<b>21,666</b>

**1.27 PROVISIONS**

<b>Short Term</b>	<b>Outstanding Legal Cases</b>	<b>Equal Pay</b>	<b>Job Evaluation</b>	<b>Residual Waste Disposal Contract</b>	<b>Storm Damage</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31st March 2015</b>	<b>520</b>	<b>0</b>	<b>34</b>	<b>0</b>	<b>101</b>	<b>655</b>
Additional Provisions 2015/16	7	70	0	0	0	77
Amounts used 2015/16	(496)	0	(34)	0	(101)	(631)
Moved from long term provisions	0	0	0	37	0	37
<b>Balance at 31st March 2016</b>	<b>31</b>	<b>70</b>	<b>0</b>	<b>37</b>	<b>0</b>	<b>138</b>
Additional Provisions 2016/17	24	0	0	0	0	24
Amounts used 2016/17	(24)	(60)	0	(33)	0	(117)
Moved from long term provisions	0	0	0	33	0	33
<b>Balance at 31st March 2017</b>	<b>31</b>	<b>10</b>	<b>0</b>	<b>37</b>	<b>0</b>	<b>78</b>

**Outstanding Legal Cases – Forge Case**

A provision for Ceredigion's potential share in court costs for the Forge case (R (on the application of Cardiff & Vale University Health Board and others) v Ceredigion County Council and others UKSC 2016/0054) which was heard on the 26th April 2017 at the Supreme Court but the judgement is likely to take between 6 weeks and 3 months to be released.

Equal Pay

The Council settled the majority of equal pay claims brought against it in 2012 following a collective agreement reached with the Trade Unions. However, since that time further claims have been received from those employees who now consider that they have a valid claim against the Council. A small number of cases are yet to be finalised.

Residual Waste Disposal Contract

For further details, please refer to the notes on Long Term Provisions, this is the amount that is due within the next financial year.

<b>Long Term</b>	<b>Residual Waste Disposal Contract £'000</b>
<b>Balance at 31st March 2015</b>	<b>190</b>
Additional Provisions 2015/16	0
Amounts used 2015/16	(19)
Moved from long term provisions	(37)
<b>Balance at 31st March 2016</b>	<b>134</b>
Additional Provisions 2016/17	0
Amounts used 2016/17	0
Moved from long term provisions	(33)
<b>Balance at 31st March 2017</b>	<b>101</b>

Residual Waste disposal contract

On 1st March 2015, the Council entered into a treatment and disposal of residual waste contract in Partnership with Pembrokeshire County Council. The result of which is the diversion of waste from landfill and avoidance of landfill tax. The process from outline business case to assistance with the procurement process and award of contract was facilitated by an external Consultant. The contractual obligation to the Consultant is based on a gain share for a fixed period and the provision relates to the estimated liability for the cost of the services undertaken. £33k was paid in 2016/17, £37k is due to be paid in 2017/18.

**1.28 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 2.63% and 10.25%.

An analysis of loans by maturity:

	31/03/17 PWL £'000	31/03/17 OTHER £'000	31/03/17 TOTAL £'000	31/03/16 PWL £'000	31/03/16 OTHER £'000	31/03/16 TOTAL £'000
<b>Maturing within one year</b>	<b>6,988</b>	<b>0</b>	<b>6,988</b>	<b>932</b>	<b>0</b>	<b>932</b>
<b>Long Term Borrowing</b>						
Maturing in 1 – 2 years	990	0	990	6,988	0	6,988
Maturing in 2 – 5 years	8,369	0	8,369	8,275	0	8,275
Maturing in 5 – 10 years	17,686	0	17,686	15,491	0	15,491
Maturing in 10 – 15 years	11,350	1,294	12,644	8,744	1,806	10,550
Maturing in 15 – 20 years	12,353	0	12,353	12,980	0	12,980
Maturing in 20 – 25 years	15,148	0	15,148	17,522	0	17,522
Maturing in 25 – 30 years	5,573	0	5,573	8,457	0	8,457
Maturing in 30 – 35 years	2,000	0	2,000	2,000	0	2,000
Maturing in 35 – 40 years	13,500	0	13,500	10,500	0	10,500
Maturing in 40 – 45 years	14,000	0	14,000	17,000	0	17,000
45+ years	0	5,760	5,760	0	5,760	5,760
<b>Total Long Term Borrowing</b>	<b>100,969</b>	<b>7,054</b>	<b>108,023</b>	<b>107,957</b>	<b>7,566</b>	<b>115,523</b>

### Loan Restructuring

During the course of the year, the Council's one market loan was converted from a LOBO loan to a standard fixed rate maturity loan by the lender. No other loan restructuring was carried out in 2016/17.

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

The Welsh Government awarded the Council £1,806k for two schemes in the form of repayable loans; of this sum £512k was repaid during 2016/17 leaving a balance of £1,294k 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.

## 1.29 OTHER LONG TERM LIABILITIES

	31/03/17 £'000	31/03/16 £'000
Finance Lease Liability	608	661
Ysgol Gyfun Penweddig PFI Liability	5,737	6,265
Pension Liability	99,205	69,814
<b>Total</b>	<b>105,550</b>	<b>76,740</b>

## 1.30 CAPITAL GRANTS RECEIPTS IN ADVANCE

Capital Grants Receipts in Advance are grants and contributions given to the Council towards capital expenditure where conditions remain attached.

	<b>£'000</b>
<b>Balance at 31st March 2015</b>	<b>344</b>
Grants Applied	(58)
Additional Grants	20
Transfer to Grants Unapplied	(130)
<b>Balance at 31st March 2016</b>	<b>176</b>
Grants Applied	(13)
Additional Grants	0
Transfer to Grants Unapplied	(150)
Repaid	(6)
<b>Balance at 31st March 2017</b>	<b>7</b>

<b>Analysis of Grants:</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Commuted Sums	0	60
Aberaeron Harbour Coastal Protection Design	0	48
Storm Damage South Pier & Aberaeron Harbour	0	22
Betws Bledrws Flood Alleviation Scheme	0	14
Flying Start Grant	7	7
Other grants and contributions	0	25
<b>Total</b>	<b>7</b>	<b>176</b>

### 1.31 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 15 and Note 1.8.

### 1.32 UNUSABLE RESERVES

	<b>31/03/17</b>	<b>31/03/16</b>
	<b>£'000</b>	<b>£'000</b>
Revaluation Reserve	65,887	67,812
Capital Adjustment Account	156,034	164,366
Financial Instruments Adjustment Account	723	808
Pensions Reserve	(99,205)	(69,814)
Deferred Capital Receipts Reserve	1,293	1,356
Accumulated Absences Account	(3,133)	(2,525)
<b>Total Unusable Reserves</b>	<b>121,599</b>	<b>162,003</b>

#### 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>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March</b>	67,812	78,854
Restated DRC Finance Costs *	0	(3,045)
Restated Non-Enhancing Expenditure 2014/15 **	0	(880)
<b>Balance at 1 April</b>	<b>67,812</b>	<b>74,929</b>
Upward revaluation of assets	4,349	2,176
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,380)	(5,683)
Non-Enhancing Expenditure adjustment 2015/16	<u>0</u>	<u>(473)</u>
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,969	(3,980)
Difference between fair value depreciation and historical cost depreciation	(2,172)	(2,483)
Accumulated gains on assets sold or scrapped	<u>(1,722)</u>	<u>(654)</u>
Amount written off to the Capital Adjustment Account	<u>(3,894)</u>	<u>(3,137)</u>
<b>Balance at 31 March</b>	<b><u>65,887</u></b>	<b><u>67,812</u></b>

\* Assets valued on a Depreciated Replacement Cost (DRC) basis have been revalued at 31/03/2015 to remove finance costs which are no longer to be included in DRC valuations.

\*\* Any non-enhancing expenditure incurred is required to be transferred to the Revaluation Reserve if there is a balance on the reserve for that asset. This restatement reflects the adjustment for 2014/15.

### 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>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March</b>	164,366	164,468
Restated DRC Finance Costs	0	296
Restated Non-Enhancing Expenditure 2014/15	0	880
<b>Balance at 1 April</b>	<b>164,366</b>	<b>165,644</b>
<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	(9,342)	(10,253)
Revaluation losses on Property, Plant and Equipment	(10,517)	(6,421)
Revenue expenditure funded from capital under statute	(1,964)	(4,376)
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	(2,798)	(2,118)
	<u>(24,621)</u>	<u>(23,168)</u>
Adjusting amounts written out of the Revaluation Reserve	3,894	3,136
Net written out amount of the cost of non-current Assets consumed in the year	<u>(20,727)</u>	<u>(20,032)</u>
<b>Capital financing applied in the year:</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	2,356	2,846
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,471	10,340
Application of grants to capital financing from the Capital Grants Unapplied Account	427	205
Statutory provision for the financing of capital Investment charged against the General Fund	2,812	2,764
Capital expenditure charged against the General Fund	1,180	3,342
	<u>12,246</u>	<u>19,497</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	149	(743)
<b>Balance at 31 March</b>	<b><u>156,034</u></b>	<b><u>164,366</u></b>

**Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	808	866
Premiums and Discounts amortisation	(85)	(58)
<b>Balance at 31 March</b>	<u><b>723</b></u>	<u><b>808</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>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	(69,814)	(72,090)
Reversing out IAS19 items	(13,721)	(14,362)
Remeasurements	(23,629)	8,729
Pension Costs payable	7,959	7,909
<b>Balance at 31 March</b>	<u><b>(99,205)</b></u>	<u><b>(69,814)</b></u>

**Deferred Capital Receipts Reserve**

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

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	1,356	1,044
<u>Transfers in:</u>		
Aberystwyth Housing Renewal Capital Loan	0	9
WG Houses into Homes Loans	20	192
Other Housing Capital Loans Deferred	106	33
Planning Permissions Commuted	42	153
<u>Repayments:</u>		
Low Cost Home Ownership scheme	(3)	(15)
Aberystwyth Housing Renewal Capital Loan	(37)	(43)
WG Houses into Homes Loans	(182)	(15)
Emergency Repair Loans	(1)	(1)
Other Housing Capital Loans Deferred	(8)	(1)
<b>Balance at 31 March</b>	<b><u>1,293</u></b>	<b><u>1,356</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>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	(2,525)	(2,800)
Settlement or cancellation of accrual made at the end of the preceding year	2,525	2,800
Amounts accrued at the end of the current year	<u>(3,133)</u>	<u>(2,525)</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	(608)	275
<b>Balance at 31 March</b>	<b><u>(3,133)</u></b>	<b><u>(2,525)</u></b>

**1.33 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	2016/17	2015/16
	£'000	£'000
Interest Paid	(5,617)	(6,350)
Interest Received	145	265

**1.34 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.

	Turnover	Expenditure	Net (Surplus) Deficit	Net (Surplus) Deficit
	£'000	£'000	£'000	£'000
Services				
Catering	92	124	32	32
Ceredigion Training	807	1,091	284	260
Residential Homes	4,622	4,622	0	0
<b>Sub Total</b>	<b><u>5,521</u></b>	<b><u>5,837</u></b>	<b><u>316</u></b>	<b><u>292</u></b>

**1.35 NORTH AND MID WALES TRUNK ROAD AGENCY**

The North and Mid Wales Trunk Road Agency (NMWTRA) came in to being on the 1<sup>st</sup> April 2012, covering the area of the eight Local Authorities in North and Mid Wales namely Ceredigion, Conwy, Denbighshire, Flintshire, Gwynedd, Isle of Anglesey, Powys and Wrexham.

The eight Authorities agreed a NMWTRA Partnership Agreement to work together in fulfilment of the requirement of the overarching Welsh Government managing Agency Agreement.

Re-imburement of costs is made via the host Authority, Gwynedd County Council, for the cost of maintenance, improvements, street lighting and other core functions. Ceredigion County Council in partnership with Powys County Council

under Central Wales Infrastructure Collaboration (CWIC) have agreed to jointly provide and invoice for certain elements.

A summary of the expenditure incurred in respect of this Agency is shown below and does not form part of the Income and Expenditure Account:

	NMWTRA 2016/17 £'000	NMWTRA 2015/16 £'000
Routine Maintenance	1,571	1,641
Street Lighting	0	190
<b>Total amount reimbursable</b>	<b>1,571</b>	<b>1,831</b>

### 1.36 CENTRAL WALES WASTE PARTNERSHIP

The Central Wales Waste Partnership is a partnership between Ceredigion County Council and Powys County Council and in 2012/13 concluded the procurement exercise for a joint contract for treatment of food waste. Pembrokeshire County Council also became part of this partnership in November 2014.

Ceredigion County Council is the lead authority and the venture is also provided financial support from the Welsh Government.

Ceredigion's share is shown within the Income and Expenditure account and amounted to £152k in this financial year.

### 1.37 POOLED BUDGETS (under Section 33 of the National Health Service (Wales) Act 2006)

#### **Ceredigion Independent Living Centre**

Ceredigion County Council is in partnership with the Hywel Dda University Health Board over the provision of community equipment.

The Pooled Fund arrangement allows for integrated provision of community equipment through staff of the Council and staff of the Hywel Dda University Health Board where the Council is the lead provider.

The financial activity of the pooled arrangement for the financial year ending 31 March 2017 is summarised in the table below.

**Gross Funding**

	2016/17	2015/16
	£'000	£'000
Ceredigion County Council	123	126
Hywel Dda University Health Board	306	306
<b>Total Funding</b>	<b>429</b>	<b>432</b>

**Gross Expenditure**

	2016/17	2015/16
	£'000	£'000
<b>Total Expenditure</b>	<b>429</b>	<b>432</b>

**1.38 TRUST AND OTHER FUNDS**

The Council acts as sole trustee for three trust funds and administers aspects of a further 72 funds. In neither case do the funds represent assets of the Council, and they have not been consolidated within the Council's Accounts.

Funds for which Ceredigion County Council acts as sole trustee:

	2016/17				2015/16			
	Inc £'000	Exp £'000	Asst £'000	Lia £'000	Inc £'000	Exp £'000	Asst £'000	Lia £'000
Cardiganshire Intermediate & Technical Educational Fund Scheme created in 1935 (amended in 1949) for educational purposes	0	0	380	0	0	0	380	0
The Coe Memorial Education Foundation Scheme created in 1973 for educational purposes	8	0	152	0	8	0	144	0
The Charity of Richard James Thomas Scheme created in 1999 comprising the buildings and collections at Tre'r Ddol Museum	0	1	8	0	0	4	9	0
<b>Total at 31 March</b>	<b>8</b>	<b>1</b>	<b>540</b>	<b>0</b>	<b>8</b>	<b>4</b>	<b>533</b>	<b>0</b>

Funds for which Ceredigion County Council administers some aspects:

	2016/17				2015/16			
	Inc £'000	Exp £'000	Asst £'000	Lia £'000	Inc £'000	Exp £'000	Asst £'000	Lia £'000
<b>Other Funds</b>								
Education Purposes	15	3	650	0	14	12	601	0
Cultural Purposes	0	0	2	0	0	0	2	0
<b>Total at 31 March</b>	<b>15</b>	<b>3</b>	<b>652</b>	<b>0</b>	<b>14</b>	<b>12</b>	<b>603</b>	<b>0</b>

**Key** Inc = Income Exp = Expenditure Asst = Assets Lia = Liabilities

### The Welsh Church Act Fund

The investment of the former Dyfed Welsh Church Act Fund, comprising Carmarthenshire, Pembrokeshire and Ceredigion County Council, is the responsibility of Carmarthenshire County Council. The following is an extract of Ceredigion County Council's proportional share as at 31 March 2017. Again, the fund does not represent an asset of the Council and hence has not been included in the Balance Sheet.

	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
The Welsh Church Act Fund as at 31 March 2017	23	18	1,331	0
The Welsh Church Act Fund as at 31 March 2016	21	22	1,172	0

### 1.39 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.

	2016/17 £'000	2015/16 £'000
Salaries	767	768
Expenses	29	40
<b>Total</b>	<b>796</b>	<b>808</b>

**1.40 OFFICERS' REMUNERATION**

The following remuneration ratios are published in the Council's published Annual Pay Policy for 2016/17.

- The multiple between the lowest paid full time equivalent employee and the Chief Executive's maximum salary is **1:7.8**
- The multiple between the lowest paid employee and the average of the Chief Officers' maximum salary is **1:5.7**
- The multiple between the median full time equivalent earnings (excluding teachers) and the Chief Executive's maximum salary is **1:6.8**
- The multiple between the median full time equivalent earnings (excluding teachers) and the average of the Chief Officers' maximum salary is **1:4.8**
- The median full time equivalent earnings of all the Council's employees (excluding teachers) is **£16,054**

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****2016/17**

<b>Post Holder Information (Post Title)</b>	<b>Salary (inc. Fees &amp; Allowances)</b>	<b>Benefits in Kind</b>	<b>Total Remuneration Excluding Pension Contributions</b>	<b>Pension Contributions Employers</b>	<b>Total Remuneration Including Pension Contributions</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	109,307	0	<b>109,307</b>	16,691	<b>125,998</b>
Deputy Chief Executive (1) *	100,413	0	<b>100,413</b>	15,329	<b>115,742</b>
Strategic Director: Learning & Partnerships (2) *	91,158	0	<b>91,158</b>	13,915	<b>105,073</b>
Strategic Director: Care, Protection & Lifestyle	87,634	0	<b>87,634</b>	13,376	<b>101,010</b>
Strategic Director: Sustainable Communities (3)	84,994	0	<b>84,994</b>	10,811	<b>95,805</b>
Head of Learning Services - from Sep16 (4)*	45,985	0	<b>45,985</b>	7,034	<b>53,019</b>
Head of Finance	70,083	0	<b>70,083</b>	10,693	<b>80,776</b>
Head of ICT & Customer Services	70,083	0	<b>70,083</b>	10,693	<b>80,776</b>
Head of Performance & Improvement Services	70,083	0	<b>70,083</b>	10,693	<b>80,776</b>
Head of Policy Services	70,083	0	<b>70,083</b>	10,693	<b>80,776</b>
Head of Lifestyle Services	70,083	0	<b>70,083</b>	10,693	<b>80,776</b>
Head of Technical Services	70,083	0	<b>70,083</b>	10,693	<b>80,776</b>
Head of Families & Children Services	65,277	0	<b>65,277</b>	9,980	<b>75,257</b>
Head of Adult & Commissioned Services	64,889	0	<b>64,889</b>	9,920	<b>74,809</b>



- (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 for 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.

## 2015/16

Post Holder Information (Post Title)	Salary (inc. Fees & Allowances) £	Benefits in Kind £	Total Remuneration Excluding Pension Contributions £	Pension Contributions Employers £	Total Remuneration Including Pension Contributions £
Chief Executive	108,226	0	<b>108,226</b>	16,503	<b>124,729</b>
Deputy Chief Executive - from Aug15 (1)	61,367	0	<b>61,367</b>	9,364	<b>70,731</b>
Strategic Director: Corporate Resources - Apr15-Aug15 (2)	44,319	38	<b>44,357</b>	5,358	<b>49,715</b>
Head of Finance (2)	69,391	83	<b>69,474</b>	10,573	<b>80,047</b>
Strategic Director: Sustainable Communities	93,514	72	<b>93,586</b>	14,256	<b>107,842</b>
Strategic Director: Care, Protection & Lifestyle - Apr15-Dec15	70,136	207	<b>70,343</b>	10,687	<b>81,030</b>
Strategic Director: Care, Protection & Lifestyle - Jan16-Mar16	21,303	0	<b>21,303</b>	3,251	<b>24,554</b>
Strategic Director: Learning & Partnerships - Apr15-Jul15 (3) *	37,553	152	<b>37,705</b>	5,685	<b>43,390</b>
Strategic Director: Learning & Partnerships - from Oct15 (4) *	44,106	0	<b>44,106</b>	6,729	<b>50,835</b>
Head of ICT & Customer Services	69,391	127	<b>69,518</b>	10,573	<b>80,091</b>
Head of Performance & Improvement Services	69,391	78	<b>69,469</b>	10,573	<b>80,042</b>
Head of Policy Services	69,391	94	<b>69,485</b>	10,573	<b>80,058</b>
Head of Lifestyle Services	69,391	20	<b>69,411</b>	10,573	<b>79,984</b>
Head of Municipal & Environmental Services - up to 30Apr15 (5)	5,643	36	<b>5,679</b>	859	<b>6,538</b>
Head of Technical Services - from May15 (5)	62,127	54	<b>62,181</b>	9,478	<b>71,659</b>
Head of Families & Childrens Services - up to 30Apr15	7,938	45	<b>7,983</b>	841	<b>8,824</b>
Head of Families & Childrens Services - from May15	57,834	38	<b>57,872</b>	8,832	<b>66,704</b>

Head of Learning Services - Apr15-Sep15 (6)	43,156	198	<b>43,354</b>	6,573	<b>49,927</b>
Head of Adult Social Care Services - Apr15-Dec15	52,043	95	<b>52,138</b>	7,926	<b>60,064</b>
Head of Adult Social Care Services - Jan16-Mar16	15,773	0	<b>15,773</b>	2,411	<b>18,184</b>
Head of Economic & Community Development Services - Apr15-Aug15	28,913	71	<b>28,984</b>	4,399	<b>33,383</b>
Head of Strategic Commissioning (Care) Assurance & Housing - Apr15-Aug15	28,913	132	<b>29,045</b>	4,399	<b>33,444</b>
Head of Legal, Human Resources & Democracy Services - Apr15-Aug15	29,281	16	<b>29,297</b>	4,399	<b>33,696</b>
Head of Assets & Transportation Services - up to 30Apr15	10,564	45	<b>10,609</b>	860	<b>11,469</b>

- (1) Remuneration includes £1,500 honorarium in recognition of the provision of strategic input to Education through Regional Working (ERW).
- (2) The Strategic Director for Corporate Resources retired during August 2015 and the post was deleted. The Head of Finance was subsequently made Section 151 officer.
- (3) Remuneration includes £2,142 honorarium in recognition of additional work undertaken on behalf of Powys County Council's Education and Schools Services.
- (4) Remuneration includes £1,500 honorarium in recognition of the provision of strategic input to Powys County Council's Education and Schools Services.
- (5) On the 01/05/2015 the then Head of Municipal and Environmental Services took up the newly created post of Head of Technical Services, at which point the post of Head of Municipal and Environmental Services was deleted.
- (6) Remuneration includes £10,000 honorarium in recognition of additional work undertaken on behalf of Powys County Council's Education and Schools Services.

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

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 (2 employees in 2016/17 and 2 employees in 2015/16).**

Remuneration Band	2016/17		2015/16	
	No. of Employees	No. which include Termination Payments	No. of Employees	No. which include Termination Payments
£60,000 - £64,999	4	0	6	0
£65,000 - £69,999	3	1	4	1
£70,000 - £74,999	2	1	1	0
£75,000 - £79,999	5	0	3	1
£80,000 - £84,999	0	0	0	0
£85,000 - £89,999	0	0	1	0
<b>TOTAL</b>	<b>14</b>	<b>2</b>	<b>15</b>	<b>2</b>

The Council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £1,359k (£1,752k in 2015/16). 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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	no.	no.	no.	no.	no.	no.	£'000	£'000
£0 - £20,000	24	30	47	50	71	80	329	562
£20,001 - £40,000	4	2	12	24	16	26	460	728
£40,001 - £60,000	0	0	4	4	4	4	208	204
£60,001 - £80,000	0	0	5	0	5	0	340	0
£80,001 - £100,000	0	0	0	2	0	2	0	196
£100,001 - £150,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>28</b>	<b>32</b>	<b>68</b>	<b>80</b>	<b>96</b>	<b>112</b>	<b>1,337</b>	<b>1,690</b>
<b>Add/Minus: Amounts provided for in Comprehensive Income &amp; Expenditure Statement not included in bandings</b>							22	62
<b>Total cost included in the Comprehensive Income &amp; Expenditure Statement</b>							<b>1,359</b>	<b>1,752</b>

**1.41 EXTERNAL AUDIT COSTS**

The following fees relating to external audit and inspection for the 2016/17 financial year are payable by the Council:

	<b>Proposed Fee</b>	<b>Actual Fee</b>
	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Financial Audit Work	154	144
Performance Audit Work	100	108
Grant Certification Work	55	55
Other Financial Audit Work:		
Ceredigion Harbour Authority	<u>2</u>	<u>2</u>
<b>Total</b>	<b><u>311</u></b>	<b><u>309</u></b>

**1.42 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 £41,042k for 2016/17.

**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 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 2016/17 is shown in Note 1.39. During 2016/17, the Council paid invoices amounting to £169k for School Transport Provision to a company where one of the members is a director. The relevant member did not take part in any decision to award this contract/service.

**Other Public Bodies**

The Council has a pooled budget arrangement with Hywel Dda Health Board for the provision of community equipment. Transactions and balances outstanding are detailed in Note 1.37.

The Council has an agency agreement, The North and Mid Wales Trunk Road Agency (NMWTRA), involving eight Local Authorities in North and Mid Wales

namely Ceredigion, Conwy, Denbighshire, Flintshire, Gwynedd, Isle of Anglesey, Powys and Wrexham, of which Gwynedd County Council is the host Authority. This agency is responsible for maintaining Trunk Roads on behalf of the National Assembly for Wales for the North and Mid Wales Area. Further information, transactions and balances outstanding are detailed in Note 1.35.

The Council is also part of a partnership known as the Central Wales Waste Partnership with Powys County Council and Pembrokeshire County Council. This is a joint contract for the treatment of food waste. Further details and the Council's share of payments are shown in Note 1.36.

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

	<b>Receipts</b> <b>£'000</b>	<b>Payments</b> <b>£'000</b>
<b>Central Government</b>		
Share of NNDR from National Pool	23,699	0
Revenue Support Grant	73,311	0
<b>Capital Grants</b>		
Welsh Government - General Capital Grant	1,776	0
Welsh Government	3,938	0
Natural Resources Wales	54	0
Heritage Lottery Fund	378	0
Hywel Dda LHB	247	0
Big Lottery Fund	19	0
<b>Mid and West Wales Fire Authority</b>	0	3,696
<b>Environment Agency</b>	0	8
<b>Dyfed-Powys Police</b>	0	6,134
<b>Town/Community Councils within</b>	0	918
<b>Ceredigion area</b>		
<b>Tai Ceredigion</b>	122	325

#### **1.43 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>2016/17</b>	<b>2015/16</b>
	<b>£m</b>	<b>£m</b>
<i>Opening Capital Financing Requirement</i>	135.2	124.8
<i>Capital investment:</i>		
Property, Plant and Equipment	14.0	25.5
Investment Properties	0.1	0.0
Other	0.4	0.0
Revenue Expenditure Funded from Capital under statute	2.0	4.4
<i>Sources of finance:</i>		
Capital Receipts	(2.4)	(2.8)
Government grants and other contributions	(5.9)	(10.5)
<i>Sums set aside from Revenue:</i>		
Direct Revenue Contributions - General Fund	(1.2)	(3.4)
Minimum Revenue Provision	(2.8)	(2.8)
<i>Closing Capital Financing Requirement</i>	<u><b>139.4</b></u>	<u><b>135.2</b></u>
<i>Explanation of Movements in year:</i>		
Increase in underlying need to borrow (supported)	2.1	4.0
Increase in underlying need to borrow (unsupported)	2.5	6.9
Assets acquired under PFI	(0.3)	(0.4)
Assets acquired under finance leases	(0.1)	(0.1)
<i>Increase/(decrease) in Capital Financing Requirement</i>	<u><b>4.2</b></u>	<u><b>10.4</b></u>

## 1.44 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 2017</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Vehicles, plant, furniture and equipment	159	182
Infrastructure	1,103	1,130

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

	31 March 2017 £'000	31 March 2016 £'000
Finance Lease Liabilities (NPV on minimum payments):		
- Current	139	136
- Non-current	575	628
Finance costs payable in future years	(154)	(140)
Minimum lease payments	<u>560</u>	<u>624</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	91	104	139	136
Later than one year and not later than five years	105	148	127	166
Later than five years	364	372	448	462
Minimum lease payments	<u>560</u>	<u>624</u>	<u>714</u>	<u>764</u>

### 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:

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	345	411
Later than one year and not later than five years	453	507
Later than five years	58	60
Minimum lease payments	<u>856</u>	<u>978</u>

### 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:

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	753	701
Later than one year and not later than five years	2,416	2,326
Later than five years	24,693	23,824
Minimum lease payments	<u>27,862</u>	<u>26,851</u>

## 1.45 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### Ysgol Gyfun Penweddig PFI Scheme

2016/17 was the seventeenth 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 £14,125k.

### 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 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:



<u>Payments due to be made:</u>	<b>Payment for</b>	<b>Reimbursement</b>		<b>Total</b>
	<b>Services</b>	<b>Expenditure</b>	<b>Interest</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
within 1 year	791	528	592	1,911
within 2 to 5 years	4,029	1,778	1,843	7,650
within 6 to 10 years	3,696	2,464	1,388	7,548
within 11 to 15 years	2,782	1,495	271	4,548
	<b><u>11,298</u></b>	<b><u>6,265</u></b>	<b><u>4,094</u></b>	<b><u>21,657</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>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	6,593	7,015
Repayment of Principal	<u>(328)</u>	<u>(422)</u>
Balance at 31 March	<b><u>6,265</u></b>	<b><u>6,593</u></b>

#### **1.46 IMPAIRMENT OF FINANCIAL ASSETS: ICELAND INVESTMENTS**

In October 2008, the Icelandic Banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander, went into administration. The Council had £5.5m invested in 6 separate deposits across 3 of these institutions, with varying maturity dates and interest rates. The Council has so far received cumulative net payments totalling £5,439,018. The Council has previously sold its remaining interest in its Landsbanki and Glitnir claims, so the only source of further payment(s) relates to the administration of Heritable Bank. An investment of £9,000 is shown on the balance sheet, which is being held in escrow (in Euros) as part of a LBI Composition agreement. This is payable subject to the outcome of any further final payment(s) from the Administrator of Heritable.

#### **1.47 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 2016/17 the Council paid £3.8m (£3.6m in 2015/16) to the Department for Education and Skills in respect of teachers' pension costs, which represents 16.48% of teachers' pensionable pay for 2016/17 (14.1% from 1<sup>st</sup> April 2015 to 31<sup>st</sup> August 2015 and 16.48% from 1<sup>st</sup> September to 31<sup>st</sup> March 2016). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2016/17, £233,532 (£267,851 in 2015/16) 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 £316,859 in 2016/17 (£288,884 in 2015/16) directly to teachers who have retired prematurely since 1 April 1996. The capitalised value of the above payments is £4.2m and £5.7m respectively.

## **1.48 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 2017/18 are £7,437k 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:

	2016/17 £'000	2015/16 £'000
<b>Comprehensive Income and Expenditure Statement:</b>		
Cost of Services:		
- current service cost	10,666	11,482
- past service cost	684	632
- (gain)/loss from settlements	0	0
Financing and Investment Income and Expenditure:		
- net interest cost	<u>2,371</u>	<u>2,248</u>
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b><u>13,721</u></b>	<b><u>14,362</u></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)	(63,246)	12,587
- Actuarial gains and losses arising on changes in demographic assumptions	(5,276)	0
- Actuarial gains and losses arising on changes in financial assumptions	96,884	(21,316)
- Experience (gain)/loss	<u>(4,733)</u>	<u>0</u>
	<u>23,629</u>	<u>(8,729)</u>
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b><u>37,350</u></b>	<b><u>5,633</u></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	(13,721)	(14,362)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- employers' contributions payable to scheme	<u>(7,959)</u>	<u>(7,909)</u>

### 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:

	2016/17 £'000	2015/16 £'000
Present value of the defined benefit obligation	476,137	374,422
Fair value of plan assets	<u>(376,932)</u>	<u>(304,608)</u>
<b>Sub-total</b>	<b>99,205</b>	<b>69,814</b>
Other movements in the liability (asset)	<u>0</u>	<u>0</u>
<b>Net liability arising from defined benefit obligation</b>	<b><u>99,205</u></b>	<b><u>69,814</u></b>

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

	<b>All Benefits</b>		<b>Unfunded Benefits</b>	
	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	304,608	308,309	0	0
Interest income	10,937	10,157	0	0
Remeasurement gain/(loss):				
- The return on plan assets, excluding the amount included in the net interest expense	63,246	(12,587)	0	0
Contributions from employer	7,959	7,909	438	467
Contributions from employees into the scheme	2,869	2,815	0	0
Benefits paid	(12,416)	(11,774)	(438)	(467)
Other	(271)	(221)	0	0
<b>Closing fair value of scheme assets</b>	<b><u>376,932</u></b>	<b><u>304,608</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>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening balance at 1 April	374,422	380,399	7,704	8,175
Current service cost	10,395	11,261	0	0
Interest cost	13,308	12,405	270	262
Contributions from scheme participants	2,869	2,815	0	0
Remeasurement (gains) and losses:				
- Actuarial (gains)/losses arising from changes in financial assumptions	86,875	(21,316)	(240)	(266)
Past service cost	104	92	0	0
Losses/(gains) on curtailment	580	540	0	0
Benefits paid	(12,416)	(11,774)	(438)	(467)
Liabilities extinguished on settlements	0	0	0	0
<b>Closing balance at 31 March</b>	<b><u>476,137</u></b>	<b><u>374,422</u></b>	<b><u>7,296</u></b>	<b><u>7,704</u></b>

**Local Government Pension Scheme assets comprised:**

	Quoted (Y/N)	Fair value of scheme assets	
		2016/17 £'000	2015/16 £'000
Equities:			
UK	Y	92,725	72,620
Overseas Pooled Funds	N	82,171	63,145
US	Y	36,185	32,258
Canada	Y	1,885	1,158
Japan	Y	12,439	12,123
Pacific	N	11,308	8,529
Emerging Markets	N	28,647	20,652
Pooled Overseas	Y	377	0
Sub-total equities		<b>265,737</b>	<b>210,485</b>
Bonds:			
UK Government Indexed	Y	36,562	29,090
UK Corporate	N	36,562	29,821
Sub-total bonds		<b>73,124</b>	<b>58,911</b>
Property:			
Property Funds	N	35,055	33,933
Sub-total property		<b>35,055</b>	<b>33,933</b>
Cash			
Cash accounts	Y	2,262	609
Net current assets	N	754	670
Sub-total cash		<b>3,016</b>	<b>1,279</b>
<b>Total assets</b>		<b>376,932</b>	<b>304,608</b>

**Split of assets between investment categories**

	2016/17	2015/16
Equities	70.50%	69.10%
Bonds	19.40%	19.34%
Property	9.30%	11.14%
Cash	0.80%	0.42%

**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 17	31 March 16
<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	Mature
<b>Financial assumptions:</b>		
- Rate of CPI Inflation/CARE benefits revaluation	2.30%	2.00%
- Rate of increase in salaries	3.80%	3.50% *
- Rate of increase in pensions in payment/deferment	2.30%	2.00%
- Discount rate	2.50%	3.60%
*An adjustment has been made for short term pay restraint in line with the latest actuarial valuation.		
<b>Post retirement mortality assumptions (normal health):</b>		
- Non-retired members	S2PA CMI_2015_[1.5%] (97% males, 90% females)	S1PA CMI_2012_[1.5%] (95% males, 94% females)
- Retired members	S2PA CMI_2015_[1.5%] (97% males, 90% females)	S1PA CMI_2012_[1.5%] (95% males, 94% females)
<b>Life expectancy of a male (female):</b>		
- future pensioner aged 65 in 20 years' time	25.0 (27.8) years	25.7 (28.2) years
- current pensioner aged 65	22.8 (25.5) years	23.4 (25.9) 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 2017**

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	476,137	467,573	484,857	478,090	485,450
Assets	(376,932)	(376,932)	(376,932)	(376,932)	(376,932)
Deficit/(Surplus)	<b>99,205</b>	<b>90,641</b>	<b>107,925</b>	<b>101,158</b>	<b>108,518</b>
Projected Service Cost for next year	15,595	15,149	16,059	15,595	15,918
Projected Net Interest Cost for next year	2,387	2,260	2,611	2,441	2,625

**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.

**1.49 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.

**Council Tax Premium on Second Homes.**

A premium on Council Tax of 25% has been introduced for Second Homes from 2017/18. During 2016/17 some home owners successfully applied to switch from paying Council Tax on their properties and start paying National Non-Domestic Rates (NNDR). Some home owners were able to have the switch backdated over several years. Potentially other home owners may switch during 2017/18 (with backdating also applying) which would result in a loss of income. The Council would not benefit from the NNDR payments as these would have to be paid into the NNDR Pool which is operated on a national basis by Welsh Government.

**1.50 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 – Capita Treasury Solutions Ltd (previously known as Sector Treasury Services Ltd). 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 Capita Treasury Solutions Ltd. 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 2017 are detailed below:

<b>Financial Asset Category</b>	<b>Criteria</b>	<b>Maximum Individual Investment held as at 31/03/2017</b>	<b>Total Investments held as at 31/03/2017</b>
<b>Specified Investments</b>			
Deposits with UK Local Authorities	Not credit rated	£2.0m	£3.0m
Deposits with Banks part or fully nationalised by the UK Government	Minimum rating: Short Term F2	£1.5m	£2.5m
Deposits with Banks / Building Societies	Minimum rating: Long Term A Short Term F1	£4.0m	£4.35m
<b>Non-Specified Investments</b>			
Local Authority Mortgage Scheme	In accordance with Full Council decision	£1.0m	£1.0m
Icelandic deposits	Not applicable	£0.009m	£0.009m

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 experienced investment defaults on six investments totalling £5.5m with Icelandic Banks and/or their UK subsidiaries during the 2008/09 financial year. Further information on these investments is shown in Note 1.46.

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

	<u>Amount at 31/03/17</u>	<u>Historical experience of default</u>	<u>Historical experience adjusted for market conditions as at 31/03/17</u>	<u>Estimated Maximum exposure to default and un- collectability</u>	<u>Estimated maximum exposure at 31/03/17</u>
	<u>£'000</u> A	<u>%</u> B	<u>%</u> C	<u>£'000</u> A x C	<u>£'000</u>
Deposits with Banks and financial institutions	10,850	2.8%	2.8%	304	304

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury 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 2017 is:

	<b>£'000</b>
Less than 1 year	6,988
Between 1 and 2 years	990
Between 2 and 5 years	8,369
Between 5 and 10 years	17,686
10 years and above	80,978
	<u><b>115,011</b></u>

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 at historic lows.

For 2016/17 the Council's investment portfolio (excluding accrued interest) began the year at £21.0m and ended the year at £10.9m. The debt portfolio (excluding accrued interest) began the year at £116.1m and ended the year at £114.7m.

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 31/03/2017, 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	(81)
<b>Total impact on Income and Expenditure Account</b>	<b>(81)</b>
<b>Fair Value Impact</b>	<b>£'000</b>
Decrease in fair value of fixed rate investment assets	10
Decrease in fair value of fixed rate borrowings	20,236

The Council 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.

**1.51 POST BALANCE SHEET EVENTS**

There are no post balance sheet events for 2016/17.

**1.52 AUTHORISATION OF ACCOUNTS FOR ISSUE**

The Statement of Accounts is authorised for issue by the Head of Finance on 21<sup>st</sup> September 2017.

## **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 CIPFA/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 and has scored each behaviour. 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 March 2017 and a member workshop was held in June to review the assessment.

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 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 2016/17**

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 Code of Conduct for Members and the Whistleblowing Policy were reviewed and updated in 2016.
  - CeriNet has been developed to include information for new starters, the Employee Handbook, Managers Toolkit and more recently the Learning and Development.
  - The first well-being and improvement objectives have been published.
- B. Ensuring openness and comprehensive stakeholder engagement.
- A well-being assessment (Public Service Board) has been carried out with extensive public consultation and engagement. This will be used to inform the development of the PSB's Well-being plan.
  - 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.
  - The AIR 2015/16 report acknowledged that the Council is strengthening its capacity to undertake communication and engagement with citizens and is improving its arrangements for engaging and communicating with citizens.
- 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 objectives and statement

- ✓ Embedded the Well-being Goals and Sustainable development principal into the business planning process
  - ✓ Developed a new Integrated Impact Assessment tool
  - ✓ Established a WFGA group and action plan
  - ✓ Review of the Constitution
  - ✓ PSB assessment of Local Well-being
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Development of an Integrated Impact Assessment Tool to assist members in the decision making process.
- 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.
- 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 was published in October 2016.
  - The Medium Term Financial Strategy was updated and approved in February 2016.
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- Annual reports are published including:
    - i. Improvement Plan progress report (Oct 2016)
    - ii. Annual Financial Statement

#### **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 in 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 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 two members of staff to the team.

The Annual Governance Statement has been the subject of review by Wales Audit Office and therefore to avoid the duplication of work, has not been included in the work programme for internal audit. This area is covered in the Internal Audit Annual Report; however the Chief Internal Auditor has been consulted during the review.

The Internal Audit Section undertook its annual self-assessment at year-end, and an external peer assessment of the service was also conducted during the year. 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 2017, 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 Deputy Chief Executive - Acts as the Authority's Senior Information Risk Owner with Data Protection and ICT Security sitting underneath the Head of Service for ICT&CS.

The SIRO Forum traditionally included subject matter experts: E.g. Facilities, Data Protection, IT Security, Head of IT Legal, and HR. and a 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 following matrix was applied:

1/2 unacceptable / in need of urgent action;  
 3/4 below satisfactory – urgent action required,  
 5/6 satisfactory – action required;  
 7/8 good – some action may be required,  
 9/10 excellent – no action required

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 2016/17

The following table records the actions that have been taken to resolve the issues identified in the Annual Governance Statement last year.

Issue	Action	Lead Officer	Completion Date
To complete the review of the Council's Constitution following changes to internal structures and legislation to ensure that it is up to date.	Capacity issues have delayed the review although these have now been addressed and the review has commenced.	Elin Prysor	To be completed Mar 2018
Continue to develop the capacity and capability of Members based on the needs identified in their	A process for Member Personal Development Reviews has been developed and implemented and the information will be used to develop a Members' Training Plan.	Lowri Edwards	Mar 2017

Personal Development Reviews.			
To implement improvements for engagement with the public.	Council continually consults and engages with local residents, customers and other stakeholders within the county to understand their opinions and views when developing new plans and/or strategies. Feedback is always given due consideration before final versions are agreed. Overview and Scrutiny Public Engagement protocol approved by Council.	Diana Davies	Mar 2017
To complete the implementation of the Corporate HR and Payroll System, including the workforce plan.	The Recruitment module within Ceri is now being fully utilised allowing the use of electronic and digital ways of working wherever possible. Further process redesign is being explored on order to continue to streamline the recruitment processes. Monthly reports have now been developed to support decision making.	Caroline Lewis	Mar 2017
To ensure Internal Audit is adequately resourced.	Need to recruit a Senior Auditor and Auditor in order to address WAO's concerns over capacity.	Amanda Roberts	Mar 2017

## 6. Agreed action plan for matters to be considered during 2017/18

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 2017/18.

Issue	Action	Outcome	Lead Officer	Completion Date
The revised Constitution is not available on the web.	Complete the Review of the Constitution and update the web pages.	Setting out the governance arrangements for the discharge of the Council's duties and	Elin Prysor	Mar 2018
Some information around governance is not easily accessible on the web pages.	Update the web page content to ensure corporate governance information is readily available.	More open and transparent governance.	Caroline Jones	Sep 2017
The Current Workforce Plan	Roll out the workforce planning toolkit.	An effective workforce plan that will enhance	Caroline Lewis	Mar 2018

expires in 2017.	Create a new Strategic Workforce Plan for 2017-2020.	the strategic allocation of resources.		
Corporate Strategy 2013-2017 expires in 2017.	Taking account of a new administration, develop and publish a new Corporate Strategy 2018-2022.	Setting out the priorities of the Council and demonstrating openness.	Caroline Jones	Mar 2018
Anti-fraud and corruption strategy last updated in 2011 and does not include Anti Money laundering and Bribery Acts.	Revise the Anti-fraud and corruption strategy to ensure Anti Money Laundering and Bribery Acts' requirements are either included in the update, or separate strategies produced.	Re-enforce the expectation that Members and employees at all levels will lead by example in ensuring adherence to legal requirements, and to all the Authority's regulations, codes, protocols, policies, procedures and practices.	Steve Johnson	Mar 2018
Lack of robust arrangements for evaluating the effectiveness of consultation and engagement exercises.	Develop the citizens panel. Develop arrangements for evaluating the effectiveness of consultation and engagement exercises.	Improved effectiveness of consultation and engagement exercises.	Diana Davies	Mar 2018
A new administration in May 2017 will require Member induction training.	Work to provide appropriate Members' Induction following the Election and identify future training needs through the Personal Development Review process.	Providing effective leadership throughout the Authority.	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.	Identify specific savings targets for future years. Monitor the impact of savings.	Improved governance and project management arrangements.	Eifion Evans	Mar 2018
The ICT Strategy is due to expire during 2017.	Prepare a joint Digital and ICT Strategy for 2018-2023.	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data.	Arwyn Morris	Mar 2018
To ensure Internal Audit is adequately resourced to	Staffing and capacity is monitored by the Audit Committee half-yearly.	Ensuring adequate work can be undertaken on which to base the	Amanda Roberts	Mar 2018

provide reliable assurances.	The Section's improvement plan is monitored by the Audit Committee half-yearly.	annual audit opinion on assurance.		
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**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 2017/18 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.....Date.....**

**Leader of the Council..... Date.....**