

**12. Statement of Accounts 2015/16.**

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# Statement of Accounts 2015/16



City and County of Swansea ● Dinas a Sir Abertawe

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# INTRODUCTION



The City and County of Swansea is located on the South Wales Coast and is one of twenty two current unitary local authorities providing local government services in Wales.

The area of the Authority includes the Gower peninsula, designated as Britain's first area of outstanding natural beauty.

Approximately 241,300 people live within the boundaries of the Authority of which:

- 41,500 are aged under 16
- 53,300 are of pensionable age
- 21,600 are aged 75 years and over



The County has a mixed agricultural and industrial economy. The City sits at the mouth of the River Tawe, from which its Welsh name, Abertawe, derives.

This Statement of Accounts is one of a number of publications, which include the revenue and capital budgets, produced to comply with the law and designed to provide information about the Authority's financial affairs.

Copies of these accounts can be obtained from:

The Corporate Director (Resources)  
City and County of Swansea  
Civic Centre  
Swansea  
SA1 3SN

## **NARRATIVE REPORT**

The main elements of this Statement of Accounts comprise:-

- \* The Movement in Reserves Statement which shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- \* The Comprehensive Income and Expenditure Statement, which shows the income from, and spending on, Authority services for the year. It also shows how much money we get from the Welsh Government, business ratepayers and Council taxpayers together with the net deficit / surplus for the year.
- \* The Balance Sheet, showing a snapshot of the Authority's financial position at the 31st March 2016.
- \* The Cash Flow Statement, which shows transactions for the year on a cash basis rather than on an accruals basis.
- \* The notes to the accounts, incorporating the main accounting policies which show the basis on which we have prepared the accounts and the accounting principles the Authority has adopted. The notes also offer further analysis of items appearing in the main financial statements.
- \* The Housing Revenue Account (HRA) Income and Expenditure Statement, which shows income from, and spending on, Council housing for the year. This account is stated separately as required by statute although the overall results are incorporated into the Authority's Comprehensive Income and Expenditure Statement.
- \* The Group Accounts, which show the consolidated accounts of the Authority and its group companies.
- \* The Pension Fund accounts, which show all contributions received and benefits paid for the year together with a snapshot of the financial position of the fund at the year end.
- \* The Certificate and Statement of Responsibilities of the Corporate Director (Resources) who is the responsible officer for the production of the statement.
- \* The Annual Governance Statement, which gives an indication of the arrangements for and effectiveness of internal control procedures within the Authority.
- \* The auditor's opinion and certificate relating to the Statement of Accounts.

## ***NARRATIVE REPORT***

**We incur two main types of expenditure – revenue expenditure and capital expenditure.**

**Revenue expenditure** covers spending on the day to day costs of our services such as staff salaries and wages, maintenance of buildings and general supplies and equipment. This expenditure is paid for by the income we receive from Council taxpayers, business ratepayers, the fees and charges made for certain services, and by the grants we receive from Government.

**Capital expenditure** covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing, capital grants and the sale of fixed assets. Amounts borrowed for capital purposes are repaid in part each year as part of our revenue expenditure.

Sources of borrowing utilised include the Public Works Loan Board (PWLB) and capital markets. The PWLB is a Government agency which provides longer-term loans to local authorities.

# NARRATIVE REPORT

## Revenue spending in 2015/2016

	£'m	%
Revenue support grant	237.5	33
Non domestic rates	70.1	10
Council tax (including Reduction Scheme)	100.3	14
Other income (rents, fees and charges, specific grants)	320.1	43
	728.0	100

**←**

**Where our money comes from**

**What we spend it on**

**→**

	£'m	%
Employees	321.4	44
Capital charges	36.7	5
Running costs	341.2	47
Precepts/Levies	30.6	4
Reserve transfers	-1.9	0
	728.0	100

	£'m	%
Education & Children's Services	291.3	40
Adult Social Services	103.4	14
Highways/transport	44.8	6
Culture & related services	41.2	6
Environmental and regulatory services	34.4	5
Planning services	26.1	4
Housing	141.5	19
Reserve transfers	-1.9	0
Other	47.2	6
	728.0	100

**←**

**And the services it provides**

# **NARRATIVE REPORT**

## **Authority services**

The revenue outturn position of the Authority for 2015/16 resulted in a decrease in expenditure on services of £4.2m compared to adjusted budget. In addition, the revenue outturn position reflects a further £5.471m of one off expenditure on an invest to save basis, that was met from the Authority's contingency fund primarily to fund early retirement and voluntary redundancy costs as the Authority seeks to reduce its operating costs and adjust to reducing grant levels.

The net underspend on Services reflects forecast and known pressures within both Social Services and Education budgets which have been reflected in 2016/17 budget proposals.

## **Other budget variations**

Other budget savings during the year arose from reductions in capital repayments and interest charges (£0.821m) and increased income from Council Tax (£0.494m).

## **Housing Revenue Account**

The Housing Revenue Account of the Authority is a ring fenced account dealing exclusively with income and expenditure arising from the Authority's housing stock. For 2015/16 there was a net decrease in HRA reserves at year end of £1.902m (2014/15 net increase £3.168m).

2015/16 was a significant and unusual year for the HRA because of a government lead initiative to modify the HRA subsidy arrangements. Effectively the Authority, in line with others, has bought out future obligations to pay HRA money to the government by paying one lump sum to the government. That has been funded by access to borrowing from government. This materially affects the presentation of the HRA account, the Income and Expenditure Statement and the Balance Sheet.

Details of the annual Revenue, Capital and HRA outturn reports can be found on the agenda of the Council's Cabinet for the meeting on 21st July 2016.



# NARRATIVE REPORT

## Capital spending in 2015/2016

	£'000
External borrowing	9,169
Government grants	33,680
European grants	5,463
Other grants/contributions	618
Capital receipts	12,451
Revenue and reserves	26,787
Financing of previous years	928
	89,096

**Where our money comes from**

**What services we spend it on**

**Some of the assets it provided**

	£'000
Corporate Services	209
Place Services	78,536
People Services	10,351
	89,096

Corporate Services	£'000	Place Services	£'000
IT hardware and licences	209	<b>Highways and Transportation</b>	
		Street Lighting	998
<b>People Services</b>		Carriageways & Footways	3,119
<b>Education</b>		Morfa Road	1,777
Gowerton new school build	3,833	Fabian Way/Cycle Route schemes	989
Burlais new school build	1,265	Road Safety Traffic	387
Lonlas new school build	2,672	Bridges & Retaining Walls	437
Pentre'r Graig remodelling	1,117	<b>Economic Development</b>	
Flying Start schemes	437	Waterfront schemes	1,371
Schools capital maintenance	2,994	Waterfront BEP grants	1,877
<b>Place Services</b>		Vibrant & Visible Places schemes	5,570
<b>Housing</b>		Felindre infrastructure works	807
HRA BISF Houses	1,055	Swansea Market Roof works	1,552
HRA Door/window renewals	1,850	<b>Other Services</b>	
HRA Adaptation works	3,026	Glyn Vivian refurbishment	3,828
HRA Energy Efficiency	2,584	Guildhall refurbishment	369
HRA Wind & Weatherproofing (includes Hi-rise flats)	22,690	Other Buildings Capital Maintenance	1,229
HRA Security works	868		
HRA Kitchens & Bathrooms	7,078		
Housing Disabled Facilities Grants	3,933		
Sandfields Renewal Area	2,323		
Housing other grants/loans	1,004		

## **NARRATIVE REPORT**

The Authority maintains a number of provisions and reserves. Provisions are disclosed in Note 21 on pages 92 and 93. The information regarding reserves are disclosed in the Movement in Reserves Statement on pages 13 to 16 and Note 8 on page 60.

Provisions are amounts included in the accounts as liabilities where there has been a past event which is likely to result in a financial liability but where there is uncertainty over timing and the precise value of the liability that has been incurred. It is therefore the Authority's best estimate of the financial liability as at 31st March 2016.

The Council holds Earmarked Reserves for specific purposes, together with a level of General Reserves which are available to support overall Council expenditure. However, due to the nature, size and complexity of the Council's operations, and in particular the potential for short term volatility in terms of elements of income and expenditure, it is prudent to maintain a level of General Reserves sufficient to meet anticipated and known financial risks.

At the end of the year, the Authority's revenue reserve balances amounted to £83.614m (2014/15 £83.947m).

### **International Accounting Standard 19 Employee Benefits (IAS 19)**

The Accounts comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Authority's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31st March 2016 and the reserve needed to fund that liability.

The pension fund liability that is disclosed within the Balance Sheet is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

The fund is subject to a 3 yearly actuarial valuation which assesses the then state of the pension fund and advises the various admitted bodies on the appropriate rate of employers contributions that needs to be made in order to restore the fund to a balanced position over a period of time. The contribution rate used in 2015/16 relates to the valuation undertaken on 31st March 2013.

The Local Government Pension Scheme is a statutory scheme and, as such, benefits accruing under the scheme can only be changed by legislation. The Department for Communities and Local Government legislated for a new scheme which commenced in April 2014 which was designed to have a material and beneficial effect on the projected cost of the scheme over future years.

# **NARRATIVE REPORT**

## **Group Accounts**

Group Accounts are prepared where Local Authorities have material interests in subsidiaries, associated companies and joint ventures. Group Accounts have been prepared to include the Swansea City Waste Disposal Company Limited, the National Waterfront Museum and the Wales National Pool. The Group Accounts comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and associated disclosure notes.

## **Changes in the form and content of the Statement**

The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. The code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement also complies with the requirements of the Accounts and Audit (Wales) Regulations 2014.

## **Financial outlook for the Authority.**

On 25th February 2016 the Authority approved a medium term financial plan which highlighted potential revenue shortfalls rising from £18.505m in 2017/18 to £55.179m in 2019/20.

That report also contained a range of potential service specific savings options including cumulative reductions in management, supervision and administrative employee costs, assets, third party spend, income and charging together with the potential remodelling of service delivery across some areas of the Authority's activities.

Notwithstanding the information contained within the medium term financial plan, it is clear that the financial outlook for the Authority in terms of Central Government funding and support for both Revenue and Capital expenditure is likely to significantly reduce in real terms the short/medium term in line with the UK Government austerity measures.

Whilst the precise details of funding available for 2017/18 and beyond have not been announced current indications are that an overall reduction in real terms support of circa 10-15% is quite feasible. The Authority is already undertaking initial work to plan for such reductions.

The Authority continues to face a challenging agenda following the introduction of an equal pay compliant pay and grading structure from 1st April 2014, development of regional partnership arrangements in line with Welsh Government policy, and compliance with any legislative and other changes.

## ***NARRATIVE REPORT***

Following the recent Welsh Assembly elections, the future arrangements for the future configuration of Local Government in Wales is less certain than before. In Swansea's case, this Authority has previously expressed a preference for merger with Neath Port Talbot and to fit with the wider Swansea Bay City region approach. This position will be revisited in light of any new proposals made by Welsh Government in due course.

At this stage, it is too early to form any view as to the potential impact of these proposals, nor what any final outcome may eventually be, but is clearly of significance for the Authority as a whole.

### **Further information**

You can get more information about the accounts from the Corporate Director (Resources), City and County of Swansea, Civic Centre, Swansea, SA1 3SN.

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

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

## MOVEMENT IN RESERVES STATEMENT

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	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>2014/15</b>								
<b>Balance at 31 March 2014</b>	<b>13,155</b>	<b>54,986</b>	<b>13,967</b>	<b>12,509</b>	<b>21,981</b>	<b>116,598</b>	<b>259,875</b>	<b>376,473</b>
<b>Movement in reserves during 2014/15</b>								
(Deficit) on the provision of services	-44,659	0	<b>24,243</b>	0	0	<b>-20,416</b>	0	<b>-20,416</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	<b>42,158</b>	<b>42,158</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>-44,659</b>	<b>0</b>	<b>24,243</b>	<b>0</b>	<b>0</b>	<b>-20,416</b>	<b>42,158</b>	<b>21,742</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	43,330	0	<b>-21,139</b>	490	-1,016	<b>21,665</b>	<b>-21,665</b>	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>	<b>-1,329</b>	<b>0</b>	<b>3,104</b>	<b>490</b>	<b>-1,016</b>	<b>1,249</b>	<b>20,493</b>	<b>21,742</b>
Transfers from/to Earmarked Reserves (Note 8)	534	-534	64	-64	0	0	0	0
<b>Increase/Decrease in 2014/15</b>	<b>-795</b>	<b>-534</b>	<b>3,168</b>	<b>426</b>	<b>-1,016</b>	<b>1,249</b>	<b>20,493</b>	<b>21,742</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>12,360</b>	<b>54,452</b>	<b>17,135</b>	<b>12,935</b>	<b>20,965</b>	<b>117,847</b>	<b>280,368</b>	<b>398,215</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## MOVEMENT IN RESERVES STATEMENT

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2015/16	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2015 brought forward</b>	<b>12,360</b>	<b>54,452</b>	<b>17,135</b>	<b>12,935</b>	<b>20,965</b>	<b>117,847</b>	<b>280,368</b>	<b>398,215</b>
<b>Movement in reserves during 2015/16</b>								
(Deficit) on the provision of services	-56,276	0	-45,908	0	0	-102,184	0	-102,184
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	196,477	196,477
<b>Total Comprehensive Income and Expenditure</b>	<b>-56,276</b>	<b>0</b>	<b>-45,908</b>	<b>0</b>	<b>0</b>	<b>-102,184</b>	<b>196,477</b>	<b>94,293</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	57,845	0	44,006	-5,037	-2,215	94,599	-94,599	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>	<b>1,569</b>	<b>0</b>	<b>-1,902</b>	<b>-5,037</b>	<b>-2,215</b>	<b>-7,585</b>	<b>101,878</b>	<b>94,293</b>
Transfers to/from Earmarked Reserves (Note 8)	-1,569	1,569	0	0	0	0	0	0
<b>Decrease/Increase in Year</b>	<b>0</b>	<b>1,569</b>	<b>-1,902</b>	<b>-5,037</b>	<b>-2,215</b>	<b>-7,585</b>	<b>101,878</b>	<b>94,293</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>12,360</b>	<b>56,021</b>	<b>15,233</b>	<b>7,898</b>	<b>18,750</b>	<b>110,262</b>	<b>382,246</b>	<b>492,508</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

2014/15	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000
<b>Balance at 31 March 2014 carried forward</b>	<b>13,155</b>	<b>54,986</b>	<b>13,967</b>	<b>12,509</b>	<b>21,981</b>	<b>116,598</b>	<b>259,875</b>	<b>376,473</b>	<b>9,574</b>	<b>386,047</b>
<b>Movement in reserves during 2014/15</b>										
Surplus or (deficit) on the provision of services	-44,659	0	<b>24,243</b>	0	0	<b>-20,416</b>	0	<b>-20,416</b>	-34	<b>-20,450</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	<b>42,158</b>	<b>42,158</b>	0	<b>42,158</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>-44,659</b>	<b>0</b>	<b>24,243</b>	<b>0</b>	<b>0</b>	<b>-20,416</b>	<b>42,158</b>	<b>21,742</b>	<b>-34</b>	<b>21,708</b>
Adjustments between accounting basis & funding basis under regulations	43,330	0	<b>-21,139</b>	490	-1,016	<b>21,665</b>	<b>-21,665</b>	0	-23	-23
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>-1,329</b>	<b>0</b>	<b>3,104</b>	<b>490</b>	<b>-1,016</b>	<b>1,249</b>	<b>20,493</b>	<b>21,742</b>	<b>-57</b>	<b>21,685</b>
Transfers to Earmarked Reserves	534	-534	64	-64	0	0	0	0	0	0
<b>Decrease/Increase in 2014/15</b>	<b>-795</b>	<b>-534</b>	<b>3,168</b>	<b>426</b>	<b>-1,016</b>	<b>1,249</b>	<b>20,493</b>	<b>21,742</b>	<b>-57</b>	<b>21,685</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>12,360</b>	<b>54,452</b>	<b>17,135</b>	<b>12,935</b>	<b>20,965</b>	<b>117,847</b>	<b>280,368</b>	<b>398,215</b>	<b>9,517</b>	<b>407,732</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*



## GROUP MOVEMENT IN RESERVES STATEMENT

2015/16	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000
<b>Balance at 31 March 2015 brought forward</b>	<b>12,360</b>	<b>54,452</b>	<b>17,135</b>	<b>12,935</b>	<b>20,965</b>	<b>117,847</b>	<b>280,368</b>	<b>398,215</b>	<b>9,517</b>	<b>407,732</b>
<b>Movement in reserves during 2015/16</b>										
Deficit on the provision of services	-56,276	0	-45,908	0	0	-102,184	0	-102,184	6	-102,178
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	196,477	196,477	0	196,477
<b>Total Comprehensive Income and Expenditure</b>	<b>-56,276</b>	<b>0</b>	<b>-45,908</b>	<b>0</b>	<b>0</b>	<b>-102,184</b>	<b>196,477</b>	<b>94,293</b>	<b>6</b>	<b>94,299</b>
Adjustments between accounting basis & funding basis under regulations	57,845	0	44,006	-5,037	-2,215	94,599	-94,599	0	0	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>	<b>1,569</b>	<b>0</b>	<b>-1,902</b>	<b>-5,037</b>	<b>-2,215</b>	<b>-7,585</b>	<b>101,878</b>	<b>94,293</b>	<b>6</b>	<b>94,299</b>
Transfers from/to Earmarked Reserves	-1,569	1,569	0	0	0	0	0	0	0	0
<b>Decrease/Increase in Year</b>	<b>0</b>	<b>1,569</b>	<b>-1,902</b>	<b>-5,037</b>	<b>-2,215</b>	<b>-7,585</b>	<b>101,878</b>	<b>94,293</b>	<b>6</b>	<b>94,299</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>12,360</b>	<b>56,021</b>	<b>15,233</b>	<b>7,898</b>	<b>18,750</b>	<b>110,262</b>	<b>382,246</b>	<b>492,508</b>	<b>9,523</b>	<b>502,031</b>

## **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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
7,972	-3,348	4,624	Central services to the public	9,121	-3,632	5,489
42,588	-13,718	28,870	Cultural and related services	41,213	-13,684	27,529
285,886	-54,547	231,339	Education and children's services	291,339	-52,294	239,045
43,133	-25,095	18,038	Highways and transport services	44,819	-26,359	18,460
<b>33,742</b>	-53,922	<b>-20,180</b>	Local authority housing (HRA)	103,783	-56,318	47,465
111,424	-103,727	7,697	Other housing services	111,273	-105,189	6,084
101,144	-26,966	74,178	Adult social care	103,361	-26,015	77,346
34,726	-13,337	21,389	Environmental and regulatory services	34,431	-13,445	20,986
20,433	-11,813	8,620	Planning services	26,069	-9,004	17,065
35,179	-13,887	21,292	Corporate and democratic core	19,802	-6,523	13,279
20,530	-2,497	18,033	Non distributed costs - other	17,082	-2,423	14,659
<b>736,757</b>	<b>-322,857</b>	<b>413,900</b>	<b>Cost of Services</b>	<b>802,293</b>	<b>-314,886</b>	<b>487,407</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15			2015/16			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
28,122	0	28,122	Other operating expenditure (Note 9)	27,348	0	27,348
71,527	-47,375	24,152	Financing and investment income and expenditure (Note 10)	72,400	-41,944	30,456
0	-445,758	-445,758	Taxation and non-specific grant income (Note 11)	0	-443,027	-443,027
		<b>20,416</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>102,184</b>
		<b>-114,048</b>	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 22)			-177,807
		71,890	Remeasurement of the net defined benefit liability / (asset) (Note 22)			-18,670
		<b>-42,158</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-196,477</b>
		<b>-21,742</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-94,293</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## **GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**

2014/15			2015/16			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,972	-3,348	4,624	Central services to the public	9,121	-3,632	5,489
42,588	-13,718	28,870	Cultural and related services	41,213	-13,684	27,529
285,886	-54,547	231,339	Education and children's services	291,339	-52,294	239,045
43,133	-25,095	18,038	Highways and transport services	44,819	-26,359	18,460
<b>33,742</b>	<b>-53,922</b>	<b>-20,180</b>	Local authority housing (HRA)	103,783	-56,318	47,465
111,424	-103,727	7,697	Other housing services	111,273	-105,189	6,084
101,144	-26,966	74,178	Adult social care	103,361	-26,015	77,346
34,737	-13,337	21,400	Environmental and regulatory services	34,431	-13,445	20,986
20,433	-11,813	8,620	Planning services	26,069	-9,004	17,065
35,179	-13,887	21,292	Corporate and democratic core	19,802	-6,523	13,279
20,530	-2,497	18,033	Non distributed costs - other	17,082	-2,423	14,659
<b>736,768</b>	<b>-322,857</b>	<b>413,911</b>	<b>Cost of Services</b>	<b>802,293</b>	<b>-314,886</b>	<b>487,407</b>
28,122	0	28,122	Other operating expenditure	27,348	0	27,348
71,527	-47,375	24,152	Financing and investment income and expenditure	72,400	-41,944	30,456

***The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.***

## **GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**

Gross Expenditure £'000	2014/15 Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	2015/16 Gross Income £'000	Net Expenditure £'000
	0 -445,758	-445,758		0 -443,027	-443,027
		<b>20,427</b>	Taxation and non-specific grant income		<b>102,184</b>
			<b>(Surplus) or Deficit on Provision of Services</b>		
			78 Share of the surplus or deficit on the provision of services by associates and joint ventures		-6
			-55 Tax expenses of subsidiaries		0
		<b>20,450</b>	<b>Group (Surplus)/ Deficit</b>		<b>102,178</b>
		<b>-114,048</b>	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets		-177,807
			71,890 Actuarial losses / gains on pension assets / liabilities		-18,670
		<b>-42,158</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>-196,477</b>
		<b>-21,708</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>-94,299</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## **BALANCE SHEET**

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

<b>31 March 2015 £'000</b>	<b>Notes</b>	<b>31 March 2016 £'000</b>
<b>Property, Plant &amp; Equipment</b>	12	
173,471 Council Dwellings		387,882
631,649 Other Land and Buildings		598,172
11,879 Vehicles, Plant, Furniture and Equipment		9,438
241,903 Infrastructure Assets		241,564
10,936 Community Assets		10,547
7,964 Surplus Assets		53,910
16,196 Assets under Construction		17,676
<b>1,093,998</b>		<b>1,319,189</b>
27,969 Heritage Assets	13	27,981
128,242 Investment Properties	14	75,253
938 Intangible Assets	15	500
74 Long Term Investments	16	74
5,648 Long Term Debtors	16	2,320
<b>1,256,869 Long Term Assets</b>		<b>1,425,317</b>
26,427 Short Term Investments	16	31,811
5,124 Assets Held for Sale	19	3,422
2,178 Inventories		1,992
59,809 Short Term Debtors	17	54,165
40,318 Cash and Cash Equivalents	18	37,053
<b>133,856 Current Assets</b>		<b>128,443</b>
-8,593 Short Term Borrowing	16	-6,714
-62,599 Short Term Creditors	20	-56,018
-23,859 Provisions	21	-6,195
0 Grants Receipt in Advance - Capital	31	-3,000
<b>-95,051 Current Liabilities</b>		<b>-71,927</b>

## BALANCE SHEET

31 March 2015 £'000	Notes	31 March 2016 £'000
-3,041 Long Term Creditors	16	-2,848
-12,515 Provisions	21	-12,773
-309,013 Long Term Borrowing	16	-404,064
-569,890 Other Long Term Liabilities	39	-569,640
-3,000 Grants Receipt in Advance - Capital	31	0
<b>-897,459 Long Term Liabilities</b>		<b>-989,325</b>
<b>398,215 Net Assets</b>		<b>492,508</b>
<b>Usable Reserves</b>		
12,360 Balances - General Fund		12,360
17,135 Balances - Housing Revenue Account	8	15,233
12,935 Capital Receipts Reserve		7,898
20,965 Capital Grants Unapplied Account		18,750
54,452 Earmarked Reserves	8	56,021
<b>117,847</b>		<b>110,262</b>
<b>Unusable Reserves</b>		
<b>325,265</b> Revaluation Reserve	22	475,796
-569,890 Pensions Reserve		-569,640
<b>535,261</b> Capital Adjustment Account		488,156
-1,537 Financial Instrument Adjustment Account		-2,160
-8,731 Accumulated Absences Account		-9,906
<b>280,368</b>		<b>382,246</b>
<b>398,215 Total Reserves</b>		<b>492,508</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## GROUP BALANCE SHEET

31 March 2015 £'000	Notes	31 March 2016 £'000
<b>Property, Plant &amp; Equipment</b>		
173,471 Council dwellings	12	387,882
631,649 Other land and buildings		598,172
11,879 Vehicles, plant, furniture and equipment		9,438
241,903 Infrastructure assets		241,564
10,936 Community assets		10,547
7,964 Surplus assets		53,910
16,196 Assets under construction		17,676
<b>1,093,998</b>		<b>1,319,189</b>
27,969 Heritage Assets	13	27,981
128,242 Investment Property	14	75,253
938 Intangible Assets	15	500
74 Long Term Investments	16	74
9,496 Investments in Associates and Joint Ventures		9,502
5,648 Long Term Debtors	16	2,320
<b>1,266,365 Long Term Assets</b>		<b>1,434,819</b>
26,427 Short Term Investments	16	31,811
5,124 Assets Held for Sale	19	3,422
2,178 Inventories		1,992
59,809 Short Term Debtors	17	54,165
40,329 Cash and Cash Equivalents	18	37,064
<b>133,867 Current Assets</b>		<b>128,454</b>
-8,593 Short Term Borrowing	16	-6,714
-62,589 Short Term Creditors	20	-56,008
-23,859 Provisions	21	-6,195
0 Grants Receipts in Advance - Capital	31	-3,000
<b>-95,041 Current Liabilities</b>		<b>-71,917</b>
-3,041 Long Term Creditors	16	-2,848
-12,515 Provisions	21	-12,773
-309,013 Long Term Borrowing	16	-404,064
-569,890 Other Long Term Liabilities	39	-569,640
-3,000 Grants Receipts in Advance - Capital	31	0
<b>-897,459 Long Term Liabilities</b>		<b>-989,325</b>
<b>407,732 Net Assets</b>		<b>502,031</b>



## GROUP BALANCE SHEET

31 March 2015 £'000	Notes	31 March 2016 £'000
<b>Usable Reserves</b>		
21,877 Balances - General Fund		21,883
17,135 Balances - Housing Revenue Account	8	15,233
12,935 Capital Receipts Reserve		7,898
20,965 Capital Grants Unapplied Account		18,750
54,452 Earmarked Reserves	8	56,021
<b>127,364</b>		<b>119,785</b>
<b>Unusable Reserves</b>		
<b>325,265</b> Revaluation Reserve	22	475,796
-569,890 Pensions Reserve		-569,640
<b>535,261</b> Capital Adjustment Account		488,156
-1,537 Financial Instrument Adjustment Account		-2,160
-8,731 Accumulated Absences Account		-9,906
<b>280,368</b>		<b>382,246</b>
<b>407,732</b>		<b>502,031</b>
<b>Total Reserves</b>		

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## **CASH FLOW STATEMENT**

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

<b>2014/15</b>	<b>2015/16</b>
<b><u>£'000</u></b>	<b><u>£'000</u></b>
<b><i>-20,416</i></b> Net (deficit) on the provision of services	-102,184
<b><i>60,967</i></b> Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (note 23)	83,993
-33,778 Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities (note 23)	-38,078
6,773 Net cash flows from operating activities	-56,269
-24,233 Investing activities (note 24)	-39,636
-6,949 Financing activities (note 25)	92,640
-24,409 Net (decrease) or increase in cash and cash equivalents	-3,265
64,727 Cash and cash equivalents at the beginning of the reporting period	40,318
<b>40,318</b> Cash and cash equivalents at the end of the reporting period (note 18)	<b>37,053</b>

***The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.***

## **GROUP CASH FLOW STATEMENT**

<u>2014/15</u> <u>£'000</u>	<u>2015/16</u> <u>£'000</u>
-20,427 Net surplus / (deficit) on the provision of services	-102,184
<b>60,934</b> Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (note 23)	83,993
-33,778 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and finance activities (note 23)	-38,078
55 Tax expenses of subsidiaries	0
6,784 Net cash flows from operating activities	-56,269
-24,233 Investing activities (note 24)	-39,636
-6,949 Financing activities (note 25)	92,640
-24,398 Net increase or decrease in cash and cash equivalents	-3,265
64,727 Cash and cash equivalents at the beginning of the operating period	40,329
<b>40,329</b> Cash and cash equivalents at the end of the operating period (note 18)	<b>37,064</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

# NOTES TO THE ACCOUNTS

## 1. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016.

The Authority is required to prepare an annual Statement of Accounts by virtue of the Accounts and Audit (Wales) Regulations 2014. These regulations require the Accounts to be prepared in accordance with proper accounting practices.

These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

The Accounts have been prepared on a historical cost basis, with the exception of certain categories of non-current assets that are measured at current value, and financial instruments which are now carried within the balance sheet at fair value as defined by the Code.

The Group Accounts consolidate the City and County of Swansea's accounts with the accounts of companies in which the Authority has an interest and are considered to be part of our group.

The CIPFA Code of Practice on Local Authority Accounting 2015/16 requires that Group Accounting Statements have to be prepared, consolidating the accounts of the parent and any subsidiary, associate or joint undertakings. An assessment of the activities and interests of City and County of Swansea has been undertaken, which has determined that City and County of Swansea Group consists of the Local Authority as the parent, and the following companies:

Swansea City Waste Disposal Limited (SCWDC)	Subsidiary
Wales National Pool Swansea (WNPS)	Joint Venture
National Waterfront Museum Swansea (NWMS)	Joint Venture
Swansea Stadium Management Company Limited (SSMC)	Associate
Bay Leisure Limited	Associate

Notes have been provided to the Group Accounting Statements only where the disclosure for the Group differs from that required for the Local Authority due to the combination of the accounts of the various entities.

IAS 19 requires that entries are included in the Group Balance Sheet for the Group's share of assets and liabilities of the Local Authority Pension Scheme.

The Accounts are prepared on a going concern basis.

## **NOTES TO THE ACCOUNTS**

### **ii. Accruals of Income and Expenditure**

The Accounts are maintained on an accruals basis in accordance with the Code. This means that sums due to or from the Authority, where the supply or service was provided or received during the year, are included in the Accounts whether or not the cash has actually been received or paid in the year.

Accruals are made in respect of grants claimed or claimable for Revenue and Capital purposes. Some grant claims are finalised after the Accounts have been completed and in this case the grant is accrued on the basis of the best estimate available, and any differences are accounted for in the following year.

Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

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 in the main on the basis of the effective interest rate for the relevant financial instrument.

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.

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

Cash or cash equivalents will be any cash investment which is held for short-term cash flow purposes which can be readily realised without a significant change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

## **NOTES TO THE ACCOUNTS**

### **iv. Exceptional Items**

When items of income and expense 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 Authority'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 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 or conditions on the Authority'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. There were no material errors to report in 2015/16.

As part of a review of Property, Plant and Equipment changes in assumptions have been made regarding the remaining useful lives of most operational assets that were subject to revaluation during 2015/16.

Where appropriate, consideration has been given to the estimated useful life of individual asset components (primarily electrical, mechanical, and fabric); revenue charges for depreciation reflect the differing useful lives of asset components for all other land and building assets revalued as per the Authority's rolling programme since 1st April 2010.

### **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 non-current assets during the year:

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

## **NOTES TO THE ACCOUNTS**

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account 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 and salaries, paid annual leave, paid sick leave and bonuses. Any non-monetary benefits for current employees are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. 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 following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

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

#### **Post Employment Benefits**

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

- The Teachers' Pension Scheme, administered by CAPITA on behalf of the Department for Education.
- The Local Government Pensions Scheme, administered by the City and County of Swansea.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned by employees during their period of employment with the Authority.

## NOTES TO THE ACCOUNTS

However, the arrangements for the teachers' scheme means that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions in the year.

### The Local Government Pension Scheme

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

- The liabilities of the City and County of Swansea pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds as required by IAS 19.
- The assets of the City and County of Swansea pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - industry accepted techniques
  - unitised 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 the services for which the employees worked.
  - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.



## **NOTES TO THE ACCOUNTS**

- Remeasurements comprising:
  - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the City and County of Swansea 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 amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme. No such discretionary powers were used during the year.

### **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.

## **NOTES TO THE ACCOUNTS**

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

### **ix. Financial Instruments**

#### **Financial Liabilities**

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

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

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

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

#### **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,

## **NOTES TO THE ACCOUNTS**

### **Loan and Receivables**

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

However, the Authority has made loans to voluntary organisations and third parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

## **NOTES TO THE ACCOUNTS**

### **x. Government Grants and Contributions**

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

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

Amounts recognised as due to the Authority 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 received in the form of 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-ring fenced 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **xi. Business Improvement Districts**

A Business Improvement District (BID) scheme applies across the City Centre. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

### **xii. Heritage Assets**

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Authority, principally for their contribution to knowledge and culture.

Subject to specific requirements, Heritage Assets are accounted for in accordance with the Authority's policies of Property, Plant and Equipment (including the treatment of revaluation gains and losses).

## **NOTES TO THE ACCOUNTS**

The Authority does not normally purchase fixed assets of a heritage nature; all assets disclosed have been donated into the Authority's possession. All assets are open to access by members of the public, with no restrictions other than those resulting from the normal operational limitations of venues (opening and closing times, and public safety).

Management of these assets is undertaken by designated specialists and other personnel employed by the Authority. These personnel are responsible for the maintenance of all historical records relating to the assets the Authority is in possession of, access to which can be granted through local arrangement. Any preservation works required, either enhancing or non-enhancing in nature, will be undertaken through the Authority's main capital program, with minor works undertaken ad-hoc per the standard Authority internal systems for revenue expenditure.

No heritage assets disposals are actively undertaken by the Authority. Under such circumstance that asset disposal is required, it shall be undertaken in accordance with the Authority's standard asset disposal procedures.

Valuation of heritage assets may be made by any method that is appropriate and relevant. The Authority's assets are mostly valued at insurance valuation and replacement cost (based on construction methods and materials used).

Depreciation is not required on heritage assets which have indefinite lives. Impairment reviews will only be carried out where there is reported physical deterioration or new doubts as to the authenticity of a heritage asset.

Where information on the cost or value is not available, and the cost of obtaining the information outweighs the benefits to users of the financial statements, the asset is not recognised on the balance sheet. Items such as Hafod Copperworks, memorials and some museum and library collections have been considered but not recognised as value / cost information is unavailable.

### **xiii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible assets by the Authority.

## **NOTES TO THE ACCOUNTS**

Intangible assets are measured initially at cost and subsequently carried at cost less amortisation charged on a straight line basis. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at cost less amortisation. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve in the Movement in Reserves Statement.

### **xiv. Interests in Companies and Other Entities**

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **xv. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at current cost. The effect of this policy (as opposed to recording values at the lower of actual cost or net realisable value) is not considered material.

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

### **xvi. 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.

## **NOTES TO THE ACCOUNTS**

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment 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.

### **xvii. Jointly Controlled Operations and Jointly Controlled Assets**

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

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

### **xviii. 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.

# NOTES TO THE ACCOUNTS

## The Authority 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 Authority 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, and
- 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 Authority at the end of the lease period).

The Authority 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 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 benefiting 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).



# NOTES TO THE ACCOUNTS

## The Authority as Lessor

### Finance Leases

Where the Authority 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 Authority'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 posted 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 posted 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 for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

# NOTES TO THE ACCOUNTS

## Operating Leases

Where the Authority 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.

Most leases granted by the Authority as lessor relate to commercial properties.

## xix. Overheads and Support Services

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

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

## xx. Property, Plant and Equipment

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

### Recognition

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

# NOTES TO THE ACCOUNTS

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price,
- 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.

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

The cost 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 Authority). 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 Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and community assets - depreciated historical cost,
- council dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH),
- school buildings - current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value,
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective,
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current 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 current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. 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.

## **NOTES TO THE ACCOUNTS**

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

- for 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.

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:

- for a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their estimated useful lives. No change is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

## **NOTES TO THE ACCOUNTS**

Depreciation is calculated on the following bases:

- traditional dwellings - straight-line allocation over the estimated useful life of the property (80 years),
- non traditional dwellings - straight-line allocation over the estimated useful life of the property (30 years),
- other buildings - straight-line allocation over the estimated useful life of the property and its significant components (5 to 60 years),
- vehicles, plant, furniture and equipment - straight line allocation over the estimated useful life of the asset (2 to 10 years),
- infrastructure / community assets - straight-line allocation over the estimated useful life of the asset (20 to 40 years),
- surplus assets - per original allocated estimated useful life from original categorisation unless indication of amendments required to this assessment is apparent.

Each accounting period the estimated useful life assigned to individual assets is assessed. Where there is evidence to indicate the departure from a standard useful life the asset's estimated useful life will be amended.

### **Component Accounting**

In recognition that single assets may have a number of different components each having a different estimated useful life, two factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation of the Authority's other land and building assets revalued since 1st April 2010.

#### 1. Suitability of assets.

For the 2015-16 Statement of Accounts, the Authority deemed assets revalued during the year to be of a suitable significant nature. Asset valuation therefore reflected assessment of component apportionment and respective remaining estimated useful economic life.

#### 2. Difference in rate of depreciation compared to the overall asset.

Only those elements that normally depreciate at a significantly different rate from the non land element as a whole, will be identified for componentisation.

Assets that fall below the de-minimis levels and tests above are disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material mis-statement in the accounts.

## **NOTES TO THE ACCOUNTS**

Where assets are material and to be reviewed for significant components, the Authority has adopted the following level of apportionment for the non-land element of assets as:

- Building Fabric - 79%
- Mechanical - 13%
- Electrical - 8%

This apportionment will be reviewed annually.

Professional judgement will be used in establishing materiality levels; the significance of components and apportionment applied, useful lives, depreciation methods and apportioning asset values over recognised components.

This asset componentisation assessment exercise will be repeated annually following the Authority's revaluation programme at which point the revaluation takes into account the value and condition of the assets, relevant components and also de-recognition where relevant.

Where there is a major refurbishment of an asset, a new valuation will be sought in the year of completion and a reassessment of the useful life.

### **Disposals and Non-Current Assets Held for Sale**

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 is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Subsequently where fair value less costs to sell falls below the carrying amount, the difference is posted as a loss to Other Operating Expenditure in the Surplus or Deficit on the Provision of Services. Where fair value less costs to sell rises above the carrying amount, a revaluation gain is recognised, but only to the extent that impairment or revaluation losses have been charged to the Surplus or Deficit on the Provision of Services in the past that have not previously been reversed. 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.

## **NOTES TO THE ACCOUNTS**

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 (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Such receipts are 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 Authority'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 non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

#### **Provisions**

Provisions are made where an event has taken place that gives the Authority 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the obligation arises, 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 provisions 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 is made), the provision is reversed and credited back to the relevant service.

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 Authority settles the obligation.

# NOTES TO THE ACCOUNTS

## **Provision for Back Pay Arising from Unequal Pay Claims**

The Authority implemented an equal pay compliant pay and grading structure from 1st April 2014.

During 2015/16 the Council settled unequal pay claims totalling £16.582m (including composite payments to HMRC). This was funded from existing provisions.

The Council retains a provision as at 31st March 2016 to cover:

- Remaining unequal pay claims.
- Backpay for those staff whose basic pay increased as a result of Single Status implementation.

## **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

## **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority 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 Authority.

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.



## **NOTES TO THE ACCOUNTS**

### **xxii. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the 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 to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the 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 assets, financial assets, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

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

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

### **xxiv. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

The Authority undertakes an annual review of its de-minimus VAT position under s33 of the VAT Act 1993 as required by HMRC. For the year ended 31st March 2016 the Authority believes that it will be below the de-minimus level in respect of exempt related input tax and hence will be entitled to recovery of input tax in full.

### **xxv. Carbon Reduction Commitment Allowances**

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

## **NOTES TO THE ACCOUNTS**

### **xxvi. Fair Value Measurement**

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either :

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority 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 and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority 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.

## **NOTES TO THE ACCOUNTS**

### **2. Accounting standards that have been issued but have not yet been adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has introduced accounting policy changes in relation to the following:

- a) Amendments to IAS 19 Employee Benefits
- b) Annual Improvements to IFRSs 2010 - 2012 Cycle
- c) Amendment to IFRS 11 Joint Arrangements
- d) Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- e) Annual Improvements to IFRSs 2012 - 2014 Cycle
- f) Amendment to IAS 1 Presentation of Financial Statements
- g) The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- h) The changes to the format of the Pension Fund Account and the Net Assets Statement

It is unlikely that the adoption of 2a) to 2c) and 2e) will be a change in accounting policy that will require the publication of a third Balance Sheet. Amendments to 2d) is not a change in accounting policy so it will not require a third Balance Sheet.

The implementation of 2g) represents a change in accounting policy so the Authority will be required to publish a third Balance Sheet for the beginning of the earliest comparative period where the changes adopted in the Authority and Group Accounts are material.

The adoption of 2f) and 2h) is a change in accounting policy that may require the Authority to publish a third Balance Sheet for the Authority and Group Accounts where the changes are material.

### **3. Critical judgements in applying accounting policies**

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

## NOTES TO THE ACCOUNTS

The critical judgements made in the Statement of Accounts are:-

- The medium term financial plan approved by the Authority on 25th February 2016 detailed significant ongoing forecast revenue funding shortfalls over the medium term. Current indications are that there will be significant reductions in Revenue and Capital support from Central Government from 2015/16 onwards. Whilst the Authority will consider future spending plans in line with projected funding announcements there is no indication at present that any of the assets of the Authority may be impaired as a result of a need to close facilities and reduce the level of service provision.
- The Authority implemented an equality compliant pay and grading structure for its employees from 1st April 2014. At the same time, the Authority continues to face a significant number of claims from past and existing employees based on equal pay grounds. In determining the extent of the provision to be set aside the Authority has made assumptions regarding the number of potential claimants and the potential value of their respective claims. The Authority is confident that it has sufficient resource to meet the liabilities arising from equal pay issues.
- The Government has made fundamental changes in respect of the provision of public sector pensions. On 9th March 2012, the Government confirmed details for the new Teachers Pension Scheme which were introduced in 2015, with changes to employee contribution rates from April 2012. Changes to employer contribution rates in the Teachers' Pension Scheme took effect from September 2015. Employer rates increased from 14.1% to 16.48%. A re-modelled Local Government Pension scheme was introduced from 1st April 2014 but there is no indication that the finances of the Authority will be adversely affected by any of the changes. We await the outcome of the next triennial revaluation of the LGPS.
- In line with accounting standards the Authority has made a significant provision in respect of final remedial work and future maintenance/monitoring of its major waste disposal site at Tir John. Assumptions regarding remediation and aftercare costs have been based on legal requirements to monitor the site for a period of 60 years following closure and have been calculated taking into account commitments currently within the Councils Capital Programme.
- The Authority has undertaken a fundamental review in 2012/13 of its Schools portfolio with a view to both rationalising and significantly improving the quality of school premises available across the City and County (21st Century Schools Programme). In the light of this scheme and the outline timescale for implementation, the useful lives of some school buildings have been re-evaluated and considerably reduced from that previously used. The effect of this is to accelerate residual depreciation affecting both the Comprehensive Income and Expenditure Statement and the net book value as shown on the Balance Sheet. As the Schools Programme has progressed there has been further re-evaluations and adjustments in 2015/16.

## **NOTES TO THE ACCOUNTS**

### **4. Assumptions made about the future and other sources of estimation uncertainty**

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

The items in the Authority's Balance Sheet as at 31st March 2016 for which there is a significant risk of material adjustment in the forthcoming year are as follows:-

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant upon assumptions over the specific life expectancy of those assets. As stated in note 3 a review has been undertaken of a significant number of school buildings and in particular the impact of the Councils strategic 21st Century Schools Programme plan for asset replacement. In addition revised useful lives have been applied to a number of assets revalued at 31st March 2015 in line with professional judgement.	To the extent that useful lives have been determined inappropriately the result could be:-  a) In the event of a further reduction in useful lives there would be an additional charge to revenue and a reduction in the carrying value of the asset.  b) In the event that useful lives have been underestimated this would result in a substantially reduced revenue charge and an increase in the carrying value of such assets as and when the useful life is deemed to be extended.  In any event the effect of depreciation is reversed out of the Comprehensive Income and Expenditure Statement to have nil effect on the Council taxpayer.
Provisions	The Authority has set aside specific provisions to meet the cost of known residual equal pay claims and potential costs e.g. outstanding legal claims, grievances and back pay, arising from the introduction of an equality compliant pay and grading structure. The provision is based on the Authority's best estimate of the likely costs of settling the liability.	The Authority has also set aside reserves to mitigate against any potential additional costs e.g. outstanding legal claims, grievances and back pay, arising in future years from equal pay implementation. The Authority would seek to make good any shortfall in the provision by use of these reserves.

## NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if actual results differ from Assumptions
	In addition as previously mentioned, the Authority has made a significant capital provision for the future remediation and maintenance of major land refuse disposal sites. Uncertainty arises because of the 60 year timescale for liability on this issue.	Any shortfall in future years will have to be funded via the capital programme.
Pension liabilities	The Authority's share of the Local Government pension fund liability as at 31st March 2016 is £569.64m. However, the fund is subject to a triennial valuation which at present reviews the level of employers contributions in order to ensure the long term sustainability of the fund. Changes to the Local Government Pension Scheme introduced on 1st April 2014 were designed to ensure the long term affordability of the scheme.	The Pension Fund is designed to be sustainable over the long term and it is unlikely that there will be any significant short term impact on the Authority's finances arising from any assumptions currently made or decisions that are likely in the coming financial year.
Insurance Provisions and Reserves	The Authority has set aside provisions to meet contractual excess amounts from known and existing insurance claims. In deciding the level of provision to make in respect of ongoing claims, the Authority has taken advice from its legal advisers and/or its contracted loss adjusters. The Authority also maintains an insurance reserve which is used to meet the cost of future unforeseen events based on previous experience.	Should the sums set aside prove insufficient to meet these payments there would be an immediate revenue effect in the year that the available sums were exhausted. Equally, the Authority regularly reviews the level of both provisions and reserves with a view to releasing funds back to revenue if appropriate.

## NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if actual results differ from Assumptions
Fair value measurements	<p>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 (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these 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 Authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Authority employs experts to identify the most appropriate valuation techniques to determine fair value (for example for surplus assets and investment properties, the Authority's internal property valuation team).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Authority's assets and liabilities is disclosed in notes:</p> <p>11. Non-operational PPE (Surplus Assets)</p> <p>13. Investment Properties</p> <p>15. Financial Instruments</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its financial assets / liabilities.</p> <p>The significant unobservable inputs used in the fair value measurement include assumptions regarding rent levels, vacancy levels (for investment properties), investment yields and discount rates - for some financial assets.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the surplus assets, investment properties and financial assets.</p>

## NOTES TO THE ACCOUNTS

### 5. Material items of income and expense

a) The Authority has reviewed the mechanism by which it has provided for liabilities arising from both equal pay claims and any potential back pay arising from the current job evaluation exercise. In doing so it has determined that there is now a higher level of assurance in respect of liabilities and that, at the Balance Sheet date, it is appropriate to:-

— Reflect the current estimate of liability by way of provision within the Accounts.

b) In 2015/16 there was a new self-financing regime for the Housing Revenue Account in Wales. This followed the exit of local authorities with a Housing Revenue Account (HRA) from the housing subsidy system.

On 2nd April 2015 the Authority paid £73.580m to Welsh Government to exit the current housing subsidy system. This payment was as per the amount set out in the Settlement Payments Determinations 2015. Funding was provided by way of access to additional borrowing from the PWLB specifically for this purpose.

### 6. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

The following sets out a description of the reserves that the adjustments are made against.

#### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

#### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.



## NOTES TO THE ACCOUNTS

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

2015/16

	Usable Reserves			
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
- Pensions costs (transferred to (or from) the Pensions Reserve)	17,242	1,178	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	507	110	0	0
- Holiday pay (transferred to the Accumulated Absences Reserve)	993	183	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	60,080	-5,682	0	-2,215
Reversal of HRA exit subsidy	0	73,580	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>78,822</b>	<b>69,369</b>	<b>0</b>	<b>-2,215</b>

## NOTES TO THE ACCOUNTS

2015/16

	Usable Reserves			
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-3,229	0	7,864	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-15,052	-1,270	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-2,694	-24,093	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-20,975</b>	<b>-25,363</b>	<b>7,864</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>				
Use of Capital Receipts Reserve to finance capital expenditure	0	0	-637	0
Cash payments in relation to deferred capital receipts	0	0	-12,265	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>0</b>	<b>0</b>	<b>-12,902</b>	<b>0</b>
<b>Total Adjustments</b>	<b>57,847</b>	<b>44,006</b>	<b>-5,038</b>	<b>-2,215</b>

## NOTES TO THE ACCOUNTS

### 2014/15 Comparative Figures

	Usable Reserves			
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
- Pensions costs (transferred to (or from) the Pensions Reserve)	16,234	1,066	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	-17	110	0	0
- Holiday pay (transferred to the Accumulated Absences Reserve)	1,487	-26	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	44,682	<b>-6,327</b>	0	-1,016
<b>Total Adjustments to Revenue Resources</b>	<b>62,386</b>	<b>-5,177</b>	<b>0</b>	<b>-1,016</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-1,183	0	4,160	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-14,423	-1,328	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-3,450	-14,634	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-19,056</b>	<b>-15,962</b>	<b>4,160</b>	<b>0</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## NOTES TO THE ACCOUNTS

### 2014/15 Comparative Figures

	Usable Reserves			
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000
<b>Adjustments to Capital Resources</b>				
Use of Capital Receipts Reserve to finance capital expenditure	0	0	-1,566	0
Cash payments in relation to deferred capital receipts	0	0	-2,103	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>0</b>	<b>0</b>	<b>-3,669</b>	<b>0</b>
<b>Total Adjustments</b>	<b>43,330</b>	<b>-21,139</b>	<b>491</b>	<b>-1,016</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

### 7. 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.

There are no known events that would have a material impact on these accounts.

## NOTES TO THE ACCOUNTS

### 8. Transfers To / From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

	Balance at 1st April 2014 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31st March 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31st March 2016 £'000
<b>General Fund:</b>							
Balances held by schools under the scheme of delegation	7,276	0	2,479	9,755	-611	403	9,547
Primary School Sickness Scheme Reserve	512	-512	450	450	-450	145	145
Capital financing charges reserve	1,708	-1,708	0	0	0	0	0
Other equalisation reserves	812	-812	0	0	0	0	0
Information technology reserves	751	-174	0	577	-239	124	462
Contingency reserve	117	-117	0	0	0	0	0
Development reserves	4,445	-725	555	4,275	-70	221	4,426
Insurance reserves	17,592	-5,035	2,218	14,775	-4,183	3,500	14,092
Restructuring Costs reserve	0	0	7,851	7,851	0	1,646	9,497
Other earmarked revenue reserves	17,076	-11,754	7,544	12,866	-3,082	2,572	12,356
Revenue reserve earmarked to fund future capital expenditure	4,697	-794	0	3,903	0	1,593	5,496
<b>Total</b>	<b>54,986</b>	<b>-21,631</b>	<b>21,097</b>	<b>54,452</b>	<b>-8,635</b>	<b>10,204</b>	<b>56,021</b>
<b>HRA:</b>							
Housing Revenue Account	13,967	0	3,168	17,135	-1,902	0	15,233

## NOTES TO THE ACCOUNTS

### 9. Other Operating Expenditure

2014/15	2015/16
£'000	£'000
868 Community Council precepts	910
16,820 South Wales Police Authority precept	17,801
11,617 Levies and Contributions	11,866
-1,183 Gains/losses on the disposals of non-current assets	-3,229
<b>28,122</b>	<b>27,348</b>

### 10. Financing and Investment Income and Expenditure

2014/15			2015/16		
Gross Exp	Gross Income	Net Exp	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000	£'000	£'000	£'000
17,200	0	17,200	20,417	0	20,417
53,560	-33,810	19,750	45,720	-28,230	17,490
0	-265	-265	0	-349	-349
767	-13,300	-12,533	6,263	-13,365	-7,102
<b>71,527</b>	<b>-47,375</b>	<b>24,152</b>	<b>72,400</b>	<b>-41,944</b>	<b>30,456</b>

The income generated from investment properties during the year amounted to £5.238m (2014/15 £5.342m) and changes to the fair value of investment properties amounted to £2.035m (2014/15 £7.958m).

### 11. Taxation and Non Specific Grant Income

2014/15	2015/16
£'000	£'000
-94,976 Council tax income (note 42)	-100,346
-76,436 Non domestic rates (note 43)	-70,092
-241,789 Non-ringfenced government grants	-237,542
-32,557 Capital grants and contributions	-33,446
0 Other grants	-1,601
<b>-445,758</b>	<b>-443,027</b>

## NOTES TO THE ACCOUNTS

### 12. Property, Plant and Equipment

#### Movement on Balances

Movements in 2015/16:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
At 1 April 2015	176,062	635,779	37,034	360,609	15,989	8,073	16,196	1,249,742
additions (Cap Exp)	41,047	11,737	1,667	10,265	0	1,708	12,662	79,086
additions (Other)	252	0	6	0	0	1,466	0	1,724
revaluation increases / (decreases) recognised in the Revaluation Reserve	171,413	-4,301	0	0	0	-625	0	166,487
revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-87	-9,591	-355	0	0	-5,913	0	-15,946
impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	-7,921	-313	-266	0	-19	0	-8,519
derecognition - disposals	-707	0	-1,918	0	0	-244	0	-2,869
assets reclassified to/from Held for Sale	0	1,001	0	0	0	-30	0	971

## NOTES TO THE ACCOUNTS

Movements in 2015/16 (continued):

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
reclassifications Cap Ex WIP	0	10,348	800	34	0	0	-11,182	0
other reclassifications	21	2,812	0	-192	0	49,494	0	52,135
<b>At 31 March 2016</b>	<b>388,001</b>	<b>639,864</b>	<b>36,921</b>	<b>370,450</b>	<b>15,989</b>	<b>53,910</b>	<b>17,676</b>	<b>1,522,811</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2015	-2,591	-4,130	-25,155	-118,706	-5,053	-109	0	-155,744
depreciation charge	-3,150	-47,398	-4,588	-10,190	-389	-244	0	-65,959
depreciation written out to the Revaluation Reserve	5,622	3,290	0	0	0	306	0	9,218
depreciation written out to the Surplus / Deficit on the provision of services	0	6,546	350	0	0	57	0	6,953
derecognition - disposals	0	0	1,910	0	0	0	0	1,910
other movements in depreciation and impairment	0	0	0	10	0	-10	0	0
<b>At 31 March 2016</b>	<b>-119</b>	<b>-41,692</b>	<b>-27,483</b>	<b>-128,886</b>	<b>-5,442</b>	<b>0</b>	<b>0</b>	<b>-203,622</b>

### Net Book Value

<b>at 31 March 2015</b>	<b>173,471</b>	<b>631,649</b>	<b>11,879</b>	<b>241,903</b>	<b>10,936</b>	<b>7,964</b>	<b>16,196</b>	<b>1,093,998</b>
<b>at 31 March 2016</b>	<b>387,882</b>	<b>598,172</b>	<b>9,438</b>	<b>241,564</b>	<b>10,547</b>	<b>53,910</b>	<b>17,676</b>	<b>1,319,189</b>



## NOTES TO THE ACCOUNTS

Comparative Movements in 2014/15:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
At 1 April 2014	133,984	618,368	34,416	338,710	15,989	6,402	28,983	1,176,852
additions(Cap Exp)	24,582	13,786	2,870	17,545	79	0	12,808	71,670
additions(Other)	0	181	298	0	0	30	0	509
revaluation increases / (decreases) recognised in the Revaluation Reserve	<b>19,387</b>	11,591	0	0	80	184	0	<b>31,242</b>
revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	24	-13,605	-36	0	0	540	0	-13,077
impairment losses recognised in the Revaluation Reserve	0	-355	0	0	0	0	0	-355
impairment losses recognised in the Surplus/Deficit on the Provision of Services	<b>0</b>	-11,111	-6	-250	-79	0	0	<b>-11,446</b>
Derecognition - Disposals	0	0	-316	0	0	0	0	-316
assets reclassified to Held for Sale	-1,924	-4,604	-192	0	-80	0	0	-6,800
reclassifications Cap Ex WIP	0	20,991	0	4,604	0	0	-25,595	0

***The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.***

## NOTES TO THE ACCOUNTS

Comparative Movements in 2014/15 (continued):

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
other reclassifications	9	537	0	0	0	917	0	1,463
<b>At 31 March 2015</b>	<b>176,062</b>	<b>635,779</b>	<b>37,034</b>	<b>360,609</b>	<b>15,989</b>	<b>8,073</b>	<b>16,196</b>	<b>1,249,742</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2014	-2,266	-59,702	-21,460	-109,320	-4,665	-229	0	-197,642
depreciation charge	-2,385	-24,147	-4,187	-9,386	-388	-190	0	-40,683
depreciation written out to the Revaluation Reserve	2,060	76,664	3	0	0	313	0	79,040
depreciation written out to the Surplus/Deficit on the provision of services	0	2,814	11	0	0	0	0	2,825
derecognition - Disposals	0	0	316	0	0	0	0	316
other movements in depreciation and impairment	0	241	162	0	0	-3	0	400
<b>At 31 March 2015</b>	<b>-2,591</b>	<b>-4,130</b>	<b>-25,155</b>	<b>-118,706</b>	<b>-5,053</b>	<b>-109</b>	<b>0</b>	<b>-155,744</b>

### Net Book Value

<b>at 31 March 2015</b>	<b>173,471</b>	<b>631,649</b>	<b>11,879</b>	<b>241,903</b>	<b>10,936</b>	<b>7,964</b>	<b>16,196</b>	<b>1,093,998</b>
<b>at 1 April 2014</b>	<b>131,718</b>	<b>558,666</b>	<b>12,956</b>	<b>229,390</b>	<b>11,324</b>	<b>6,173</b>	<b>28,983</b>	<b>979,210</b>

# NOTES TO THE ACCOUNTS

## Capital Commitments

As at 31 March 2016 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £21.954m. Similar commitments at 31 March 2015 were £37.414m. The major commitments are:

- Lonlas Primary new school £6.292m
- Pentrehafod Comprehensive Refurbishment (Phase 1) £0.399m
- Sandfields Renewals Area £1.229m
- Glyn Vivian Refurbishment £0.272m
- Westway enhancement project £0.848m
- HRA Highrise flats, Matthew Street £0.615m
- HRA Highrise flats, Clyne & Jeffreys Court £12.299m

## Revaluations

All operational land and buildings were revalued in the year, the valuations were carried out internally (except for Tir John Landfill site which was valued by the Valuation Office Agency). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation dates for 2015/16 were 30th June 2015, 30th September 2015, 31st December 2015 and 31st March 2016.

Council Dwellings are measured at current value based on existing use value – social housing (EUV-SH). In Wales there is no specific guidance for the methodology, in 2014/15 the method of valuation used to calculate EUV-SH was Discounted Cash Flow. In 2015/16 the Authority has adopted a new vacant possession approach which is considered likely to be more suitable for the purpose of stock valuation and would bring the method of valuation in line with the majority of other Local Authorities in Wales. The total vacant possession value of the council dwelling stock has been assessed (excluding sheltered accommodation). The vacant possession value for each asset has been multiplied by an adjustment percentage of 43.3% to arrive at EUV-SH.

A change in accounting policy for 2016/17 as a result of revisions to the Accounting Code of Practice will require the establishment of a separate class of asset called Highways Network Asset (HNA), for transport infrastructure assets currently held within the Infrastructure class of assets. HNA is to be recognised as a separate class of property, plant and equipment and measured at Depreciated Replacement Cost for the first time in 2016/17. Transport infrastructure assets are currently measured at historic cost, therefore this change in measurement to Depreciated Replacement Cost will result in a substantial increase in value.

# ASSET STRUCTURE

## Asset Structure

The major non-current assets held by the Authority at 31st March 2016 are:

Number 31/03/2015		Number 31/03/2016
<b>Corporate Building &amp; Property Services</b>		
1	• Heol y Gors Depot	1
1	• Penlan Storage Depot	1
1	• Enterprise Park	1
9	• Industrial/Warehousing Sites	9
1	• Civic Centre (Swansea)	1
1	• Civic Centre (Penllergaer)	1
1	• Guildhall	1
1,272	• Residential Freeholds	1,096
1	• St David's Shopping Centre	1
1	• The Quadrant Shopping Centre	1
1	• West Cross Bunker	1
<b>Culture &amp; Tourism</b>		
4	• Leisure Centres	4
1	• LC	1
38	• Pavilions/Changing Rooms	38
3	• Sports Centres	3
1	• Blackpill Lido	1
1	• St Helens Ground	1
1	• Tennis Centre	1
1	• Plantasia	1
1	• Botanic Gardens	1
1	• Grand Theatre	1
1	• Brangwyn Hall	1
1	• Dylan Thomas Centre	1
1	• Patti Pavilion	1
78	• Parks & Open Spaces (497 Hectares)	78
970	• Foreshore (hectares)	970
85	• Children's Playgrounds	86
1	• Caravan Parks	1
1	• Tourist Information Centres	1
1	• Stadium	1
1	• Bowls Hall	1
4	• Museums	4
1	• Art Gallery	1
41	• Community Centres & Senior Citizen Pavilions	39
1	• Discovery Centre - Brynmill	1

## ASSET STRUCTURE

Number 31/03/2015		Number 31/03/2016
1	• Ty Blodau - Botanics	1
1	• Adizone	1
1	• Country Park - Clyne	1
13	• Skateparks	13
16	• Multi Use Games Areas	16
1	• Promenade Fitness Trail	1
5	• Parks Fitness Trails - Parc Llewellyn, Coedbach, Coed Gwilym & Fendrod Lake	5
1	• Oystermouth Castle	1
16	• Allotments	16
8	• BMX Tracks	8
17	• Libraries	17
1	• Watersports Centre	1
1	• Knab Rock Watersports Centre	1
6	• Course Angling Lakes	6
2	• Crazy Golf	2
1	• Blackpill Pitch & Putt	1
 <b>Education</b>		
75	• Primary/Junior/Infants/Nursery School (excluding Church Schools)	74
13	• Secondary Schools (excluding Church Schools)	13
6	• Special Schools/Referral Units	5
3	• Community Education	3
3	• Residential Activity Centres	3
4	• Youth Clubs	3
1	• Youth Information Service (Info Nation and Canoldre)	1
2	• Family Centres	2
13	• Flying Start Settings (not shared use with school)	16
5	• Other (Closed Former Schools & Educ. Centres)	9
 <b>Housing and Community Regeneration</b>		
13,512	• Council Dwellings	13,493
9	• Area Housing Offices	9
 <b>Marketing Communications &amp; Scrutiny</b>		
1	• Mansion House	1
 <b>Public Protection</b>		
7	• Cemeteries	7
1	• Crematorium	1
5	• Cemetery Lodges/Chapel of Rest	5
1	• Designated New Cemetery (not yet operational)	1

## ASSET STRUCTURE

Number 31/03/2015		Number 31/03/2016
	<b>Regeneration &amp; Planning</b>	
1	• Garth Farm	1
1	• Bishopwood Centre	1
6	• Local Nature Reserves	6
1	• Swansea Mobility Hire	1
1	• Market	1
	<b>Shared Premises (Streetscene / Waste Management)</b>	
1	• Depot (Pipehouse Wharf)	1
	<b>Social Services</b>	
8	• Residential & Respite Facilities	11
2	• Residential & Respite Facilities (Vacant)	2
17	• Day & Social Centres/Activities	16
3	• Residential & Day Centres/Activities (combined on same site)	3
6	• Offices/Resource Centres (1 x vacant)	7
5	• Other major assets	4
	<b>Streetscene</b>	
102	• Principal Roads - A Roads (Kilometres)	102
230	• Non Principal Roads - B & C Roads (Kilometres)	230
772	• Non Classified Roads (Kilometres)	773
1	• Depot (Clydach)	1
	<b>Transportation</b>	
61	• Car Parks	61
1	• Swansea Bus Station (Quadrant)	1
1	• Marina	1
1	• Barrage	1
35,725	• Highway Bridges (Square metres of deck area)	35,725
13	• Highway Retaining Walls (Kilometres)	13
	<b>Waste Management</b>	
5	• Amenity Sites	5
1	• Landfill Sites	1
1	• MRF (Baling Plant Llansamlet)	1

## NOTES TO THE ACCOUNTS

### Non-operational Property, Plant and Equipment (Surplus Assets)

#### Fair Value Hierarchy

Details of the Authority's surplus assets and information about fair value hierarchy as at 31 March 2016 are as follows:

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31st March 2016	Fair value reclassified from Surplus prior to 31st March 2016	Fair Value reclassified to Investment Properties prior to 31st March 2016			Fair value adjusted prior to IFRS 13 as at 31st March 2016	Total Investment Property Value as at 31st March 2016
	(Level 1)	(Level 2)	(Level 3)			(Level 1)	(Level 2)	(Level 3)		
Recurring fair value measurements using:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Surplus Land and Building	0	474	4,112	4,586	-176	0	1,199	43,150	3,320	52,079
Residential Freeholds (LRA)	0	0	0	0	0	0	0	13	1,818	1,831
<b>Total</b>	<b>0</b>	<b>474</b>	<b>4,112</b>	<b>4,586</b>	<b>-176</b>	<b>0</b>	<b>1,199</b>	<b>43,163</b>	<b>5,138</b>	<b>53,910</b>

## NOTES TO THE ACCOUNTS

### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

#### Significant Observable Inputs - Level 2

The fair value for the residential properties 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 Authority 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 surplus land located in the local authority are measured using a value per acre of land derived from sale transactions of comparable parcels of land in similar locations. The approach has been developed using the Authority's own data requiring it to factor in assumptions such as the location, date of sale and size of land sold.

The Authority's surplus land is therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

#### Highest and Best Use of Surplus Assets

In estimating the fair value of the Authority's surplus assets, the highest and best use of the properties is sometimes their current use and sometimes, as in the case of vacant land and buildings, is the value assuming planning permission would be granted for development / or refurbishment.

### Recognition of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

Surplus Land categorised with Level 3	31 March 2016 £'000
Opening balance	7,622
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	-689
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-5,689
Additions	2,231
Reclassification	-2
<b>Closing Balance</b>	<b>3,473</b>



## NOTES TO THE ACCOUNTS

<b>Surplus Building categorised within Level 3</b>	<b>31 March 2016</b>
	<b>£'000</b>
Opening balance	14
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	-8
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-220
Additions	851
<b>Closing Balance</b>	<b>637</b>

Any gains or losses arising from changes in the fair value of Surplus assets included in the Comprehensive Income and Expenditure Statement are recognised in Surplus or Deficit on the Provision of Services.

### Quantitative Information about Fair Value Measurement of Surplus Assets using Significant Unobservable Inputs - Level 3

	As at 31/03/2016 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Surplus Land	3,475	Market Approach	Land Values	£50,000 to £500,000 per acre	Significant changes in land values will result in significantly lower or higher fair value
Surplus Building	637	Market Approach	Yield	12%	Significant changes in rent and yield will result in significantly lower or higher fair value
			Rent	£50/sq m	
<b>TOTAL</b>	<b>4,112</b>				

## NOTES TO THE ACCOUNTS

### Valuation Process for Surplus Assets

The fair value of the Authority's surplus assets is measured under a rolling programme. 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 (RICS). The Authority's valuation experts works closely with finance officers reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

### 13. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority.

	Heritage Land, Buildings & Infrastructure	Art & Museums	Furniture, Fixtures & Fittings	Other	Total Assets
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
At 1st April 2014	2,489	18,894	3,179	1,565	26,127
Additions (Cap Exp)	63	0	0	0	63
Additions (Other)	993	0	0	0	993
Revaluations	656	187	0	0	843
Recognised in the Surplus/Deficit on the provision of services	-57	0	0	0	-57
<b>At 31st March 2015</b>	<b>4,144</b>	<b>19,081</b>	<b>3,179</b>	<b>1,565</b>	<b>27,969</b>

	Heritage Land, Buildings & Infrastructure	Art & Museums	Furniture, Fixtures & Fittings	Other	Total Assets
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
At 1st April 2015	4,144	19,081	3,179	1,565	27,969
Additions (Cap Exp)	90	0	0	0	90
Additions (Other)	0	0	0	12	12
Revaluations	0	10	0	0	10
Recognised in the Surplus/ Deficit on the provision of services	-90	0	0	0	-90
Reclassification	-10	0	0	0	-10
<b>At 31st March 2016</b>	<b>4,134</b>	<b>19,091</b>	<b>3,179</b>	<b>1,577</b>	<b>27,981</b>

## **NOTES TO THE ACCOUNTS**

### **Heritage Land, Buildings and Infrastructure**

The Authority's heritage land, buildings and infrastructure assets included on the previous page are reported in the Balance Sheet at historic cost (e.g. Oystermouth Castle) and at valuation (e.g. Mushgrove Engine House and adj. Chimney stack, Neath Road or Morfa Bridge - off Normandy Road, Landore). Valuations have been carried out internally by the Authority's internal RICS valuer and internal highways engineer.

### **Art & Museums**

The Authority's art and museums assets are included at insurance valuation by external valuers. This category includes the Brangwyn Hall panels and other sculptures, busts, paintings and various exhibitions held by the Authority.

### **Other**

Most of the remaining assets included above are reported in the Balance Sheet at insurance valuation (e.g. Brangwyn Hall Organ). However, there are some held at historic cost (e.g. Cenotaph) and others valued internally by the Authority's internal Museums Valuer (e.g. Helwick Light Ship) and internal County Archivist (e.g. West Glamorgan owned collections).

### **14. Investment Properties**

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

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
5,342 Rental income from investment property	5,238
-767 Direct operating expenses arising from investment property	-172
4,575 Net gain	5,066

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

## NOTES TO THE ACCOUNTS

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

2014/15	2015/16
£'000	£'000
<b>122,163 Balance at start of the year</b>	<b>128,242</b>
Additions:	
221 - Purchases	333
3 - Construction (Current)	929
-637 Disposals	-2,867
7,958 Net gains/losses from fair value adjustments	2,035
-1,463 Transfers to/from Property, Plant and Equipment	-52,135
-3 Other changes	-1,284
<b><u>128,242 Balance at end of the year</u></b>	<b><u>75,253</u></b>

Following professional consultation £48.6m of Investment Property assets have been reassessed and reclassified as Surplus Assets. Further assessment of Investment Properties will be carried out in 2016/17 which may result in further reclassification.

The Council is required to use the fair value model of valuation for investment properties which must reflect market conditions at the end of the reporting period and thus annual revaluations are necessary. In 2014/15 the Council's method of valuation was based on a beacon approach, revalued according to market conditions at the year end. Beacon assets had been selected from a range of categories, for the remaining assets held in investment properties, an index was applied using the average percentage in the beacon assets per category in order to produce an intermediate valuation. This method of indexation is no longer a suitable method of valuation therefore the Council has revalued 150 of the highest valued assets which is approximately £100m or 78% of the investment property portfolio of £128m in 2015/16 in accordance with IFRS13. The Council has committed to complete a full review of the investment property portfolio in 2016/17, including valuation of assets reviewed but not revalued in 2015/16 as there was no significant change to their valuation. Therefore the Council considers that its investment properties are fairly stated.

## NOTES TO THE ACCOUNTS

### Fair Value measurement of investment property - Fair Value Hierarchy

Details of the Authority's investment properties and information about fair value hierarchy as at 31 March 2016 are as follows:

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31st March 2016	Fair value reclassified from Investment Properties prior to 31st March 2016	Fair value reclassified to Investment Properties prior to 31st March 2016			Fair value adjusted prior to IFRS13 as at 31st March 2016	Total Investment Property Value as at 31st March 2016
	(Level 1)	(Level 2)	(Level 3)	£'000	£'000	(Level 1)	(Level 2)	(Level 3)	£'000	£'000
<b>Recurring fair value measurements using:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Land only	0	1,149	42,304	43,453	-43,453	0	0	0	0	0
Other	0	8,986	11,217	20,203	-50	0	177	0	10,237	30,567
Enterprise Park	0	8,779	642	9,421	0	0	0	0	8,513	17,934
High Value	0	21,403	1,218	22,621	0	0	0	0	0	22,621
Right to Buy	0	0	0	0	0	0	0	0	96	96
Long Leases @ Peppercorn Rent	0	3	0	3	0	0	1	3	157	164
Residential Freeholds (LRA)	0	0	13	13	-13	0	0	0	4	4
Industrial Units	0	0	2,657	2,657	-505	0	0	0	299	2,451
Agricultural	0	0	0	0	0	0	0	0	370	370
Residential Shared %	0	0	0	0	0	0	0	0	1,046	1,046
<b>Total</b>	<b>0</b>	<b>40,320</b>	<b>58,051</b>	<b>98,371</b>	<b>-44,021</b>	<b>0</b>	<b>178</b>	<b>3</b>	<b>20,722</b>	<b>75,253</b>

## NOTES TO THE ACCOUNTS

### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

#### Significant Observable Inputs - Level 2

The fair value of some of the commercial portfolio 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 Authority 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

Some of the Authority's commercial portfolio is categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

#### Highest and Best Use of Surplus Assets

In estimating the fair value of some of the Authority's investment properties, the highest and best use of the properties is their current use. In some cases, alternative uses have been assumed (subject to planning permission being granted).

### Recognition of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

<b>Land only categorised within Level 3</b>	<b>31 March 2016 £'000</b>
Opening balance	43,133
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-829
Transfers to/from Property, Plant and Equipment	-42,304
<b>Closing Balance</b>	<b>0</b>

<b>Other categorised within Level 3</b>	<b>31 March 2016 £'000</b>
Opening balance	10,930
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	287
Transfers to/from Property, Plant and Equipment	0
<b>Closing Balance</b>	<b>11,217</b>

## NOTES TO THE ACCOUNTS

<b>Enterprise Park categorised within Level 3</b>	<b>31 March 2016 £'000</b>
Opening balance	578
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	64
Transfers to/from Property, Plant and Equipment	0
<b>Closing Balance</b>	<b>642</b>

<b>High Value categorised within Level 3</b>	<b>31 March 2016 £'000</b>
Opening balance	1,560
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-342
Transfers to/from Property, Plant and Equipment	0
<b>Closing Balance</b>	<b>1,218</b>

<b>Residential Freehold (HRA) categorised within Level 3</b>	<b>31 March 2016 £'000</b>
Opening balance	26
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-13
Transfers to/from Property, Plant and Equipment	-13
<b>Closing Balance</b>	<b>0</b>

<b>Industrial Units categorised within Level 3</b>	<b>31 March 2016 £'000</b>
Opening balance	2,374
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	283
Transfers to/from Property, Plant and Equipment	-505
<b>Closing Balance</b>	<b>2,152</b>

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

## NOTES TO THE ACCOUNTS

### Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs - Level 3

	As at 31/03/2016 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Land Only	42,304	Market Approach	Land Values	£100,000 to £500,000 per acre	Significant changes in land values will result in significantly lower or higher fair value
Other	11,217	Market Approach	Yield	5-10%	Significant changes in rents and yields will result in significantly lower or higher fair value
			Rent	Various	
Enterprise Park	642	Market Approach	Yield	8-12%	Significant changes in rents and yields will result in significantly lower or higher fair value
			Rent	Various	
High Value	1,218	Market Approach	Yield	Various	Significant changes in rents and yields will result in significantly lower or higher fair value
			Rent	Various	
Residential Freeholds (LRA)	13	Market Approach	Yield	5-6%	Significant changes in capital value and yields will result in significantly lower or higher fair value
			Capital Value	130,000	
Industrial Units	2,657	Market Approach	Yield	7-12%	Significant changes in rents and yields will result in significantly lower or higher fair value
			Rent	Various	
<b>TOTAL</b>	<b>58,051</b>				



## NOTES TO THE ACCOUNTS

### Valuation Process for Investment Properties

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 (RICS). The Authority's valuation experts work closely with finance officers reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

### 15. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

<u>Purchased Licences</u>		<u>Other IT software</u>	
Windows Licences	3 years	Payroll Development	5 years
Paris Software	5 years		
Oracle Licences	6 years		

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £660K was charged to revenue in 2015/16.

The movement on Intangible Asset balances during the year is as follows:

	<b>2014/15</b>		<b>2015/16</b>
	<b>£'000</b>		<b>£'000</b>
		<b>Balance at start of year:</b>	
	4,515	- Gross carrying amounts	4,753
	-3,327	- Accumulated amortisation	-3,815
	1,188	<b>Net carrying amount at start of year</b>	938
		Additions:	
	238	- Purchases during year	222
	-488	Amortisation for the period	-660
	938	<b>Net carrying amount at end of year</b>	500
		Comprising:	
	4,753	- Gross carrying amounts	4,975
	-3,815	- Accumulated amortisation	-4,475
	938		500

# NOTES TO THE ACCOUNTS

## 16. Financial Instruments

The notes on financial instruments on the following pages are the requirement of the code. IFRS requires for the restatement of nominal amounts for loans and investments to include for example the spread cost of premium / discounts and using equivalent interest rates instead of actual stepped interest rates in the case of 'amortised cost' and also the restatement of the nominal values of the loans and investments if they were to be refinanced in the market at 31st March 2016 in the 'fair value' disclosure.

### TYPES OF FINANCIAL INSTRUMENTS

**TABLE 1 – FINANCIAL INSTRUMENT BALANCES**

	Long-Term		Short-Term		Total	
	31st March 2016	31st March 2015	31st March 2016	31st March 2015	31st March 2016	31st March 2015
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Borrowings</b>						
Financial liabilities at amortised cost	404,064	309,013	6,714	8,593	410,778	317,606
<b>Total included in Borrowings</b>	<b>404,064</b>	<b>309,013</b>	<b>6,714</b>	<b>8,593</b>	<b>410,778</b>	<b>317,606</b>
<b>Creditors</b>						
Financial liabilities carried at contract amount	2,848	3,041	49,432	56,054	52,280	59,095
<b>Total included in Creditors</b>	<b>2,848</b>	<b>3,041</b>	<b>49,432</b>	<b>56,054</b>	<b>52,280</b>	<b>59,095</b>
<b>Investments</b>						
Loans and receivables	24	24	31,811	26,427	31,835	26,451
Financial Assets at Fair Value through Profit or Loss	0	0	0	0	0	0
Unquoted equity investment at cost	50	50	0	0	50	50
<b>Total Investments</b>	<b>74</b>	<b>74</b>	<b>31,811</b>	<b>26,427</b>	<b>31,885</b>	<b>26,501</b>
<b>Debtors</b>						
Loans and receivables	884	4,021	3,000	0	3,884	4,021
Financial assets carried at contract amount	1,436	1,627	50,503	57,465	51,939	59,092
<b>Total Debtors</b>	<b>2,320</b>	<b>5,648</b>	<b>53,503</b>	<b>57,465</b>	<b>55,823</b>	<b>63,113</b>

Note - Lender Option / Borrower Option Loans (LOBO's) of £40m (2014/15 £58m) have been included in long term borrowing but have an option date in the next 12 months.

## **NOTES TO THE ACCOUNTS**

The Authority owns £5,030,000 of ordinary shares in Swansea City Waste Disposal Company Limited. These are not reflected in the Authority's assets as they are considered to be of zero value.

The Authority holds a one third shareholding (£50,000 'A' shares) in the Swansea Stadium Management Company Limited, a joint venture between the Authority, Swansea City Association Football Club Limited (The) and Ospreys Rugby Limited. The purpose of the company is to run the Liberty Stadium, a purpose built stadium for major sporting events in Swansea. Under the terms of the joint venture agreement between the parties, the nature of the Authority's shareholding is such that it has an ultimate casting vote on any resolution relating to:-

- a) The removal from office of any director,
- b) The use of the Stadium (or any part of it) for purposes not permitted by the Head Lease.
- c) A matter which, if implemented or omitted to be done, would in the proper opinion of the 'A' shareholder be likely to result in either:-
  - Material prejudice to the trading and / or financial position or prospects of the company or
  - A breach of law by the company.

The nature of the joint venture agreement restricts the potential for the sale of shares and the value at which they must be offered and as such it is not possible to place a value on the shareholding other than the initial investment value.

### **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:

**TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES**

<b>2015/16</b>	<b>Financial Liabilities</b>	<b>Financial Assets</b>		
	<b>Liabilities measured at amortised cost</b>	<b>Loans and receivables</b>	<b>Fair value through profit or loss</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest expense	-16,789	0	0	-16,789
Losses on Derecognition	0	0	0	0
Reductions in Fair Value	0	0	0	0
Fee Expense	0	0	0	0
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>-16,789</b>	<b>0</b>	<b>0</b>	<b>-16,789</b>

## NOTES TO THE ACCOUNTS

2015/16	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Fair value through profit or loss £'000	Total £'000
Interest income	0	374	0	374
Gains on Derecognition	0	0	0	0
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>374</b>	<b>0</b>	<b>374</b>
<b>Net (gain)/loss for the year</b>	<b>-16,789</b>	<b>374</b>	<b>0</b>	<b>-16,415</b>

2014/15 Comparative Table	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Fair value through profit or loss £'000	Total £'000
Interest expense	-17,132	0	0	-17,132
Losses on Derecognition	0	0	-3	-3
Reductions in Fair Value	0	0	-19	-19
Fee Expense	0	0	-40	-40
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>-17,132</b>	<b>0</b>	<b>-62</b>	<b>-17,194</b>
Interest income	0	437	34	471
Gains on Derecognition	0	0	0	0
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>437</b>	<b>34</b>	<b>471</b>
<b>Net (gain)/loss for the year</b>	<b>-17,132</b>	<b>437</b>	<b>-28</b>	<b>-16,723</b>

## NOTES TO THE ACCOUNTS

### FAIR VALUES OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

#### **Methods and Assumptions in valuation technique**

The fair value of an instrument is determined by calculating the net present value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the Net Present Value calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March 2016, using bid prices where applicable.

The calculations are made with the following assumptions:

- Estimated ranges of interest rates at 31 March 2016 of 0.21% to 3.12% for loans from the PWLB and 0.30% to 3.07% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed.
- The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31st March 2016		31st March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities	410,778	560,385	317,606	449,904
Creditors	52,280	52,280	59,095	59,095

## **NOTES TO THE ACCOUNTS**

Fair value is sometimes more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

**TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST**

	31st March 2016		31st March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Loans and receivables	35,799	35,839	30,472	30,485
Debtors	51,939	51,939	59,092	59,092

The fair value is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) attributable to the commitment to receive interest below current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their fair value.

### **NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Authority's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- market risk - the possibility that financial loss might rise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### **1. Credit Risk**

Credit risk arises from deposits with banks, building societies and other local authorities as well as credit exposures to the Authority's customers.

## NOTES TO THE ACCOUNTS

The risk is managed through the Annual Investment Strategy which outlines the minimum credit criteria required for the Authority to make an investment which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution within each category.

The full details of the credit criteria are outlined in the previously published Treasury Management Strategy report available on the Council's website.

The Authority's maximum exposure to credit risk to financial institutions of £49m cannot be assessed generally as risks are specific to each institution. The risk of irrecoverability applies to all investments, however there was no evidence at 31/3/16 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on past experience and current market conditions. The Authority considers for impairment all of its financial instruments annually. No credit limits were exceeded during the financial year and the Authority expects full repayment on the due date of deposits placed with its counterparties.

**TABLE 5 – CREDIT RISK (A)**

	Amounts at 31 March 2016 £'000	Historical experience of default 31 March 2016 %	Historical experience adjusted for market conditions as at 31 March 2016 %	Estimated maximum exposure to default and uncollectability 31 March 2016 £'000	Estimated maximum exposure 31 March 2015
Bonds and other securities	0	0.00	0.00	0	0
Customers	59,957	9.58%	10.55%	6,323	6,045
<b>Total</b>	<b>59,957</b>	<b>0.00</b>	<b>0.00</b>	<b>6,323</b>	<b>6,045</b>

The Authority does not generally allow credit for customers such that £11.1m of the £59.9m balance is past its due date for payment. The amount can be analysed as follows

	31-Mar-16	31-Mar-15
less than 3 months	8,123	6,733
3 to 6 months	82	1,258
6 months to 1 year	1,100	1,219
more than 1 year	1,759	2,182
	<b>11,064</b>	<b>11,392</b>

## NOTES TO THE ACCOUNTS

### 2. Liquidity Risk

The Authority has a cashflow management system to ensure cash is available when needed. If unexpected movements happen, the Authority has ready access to the money markets and the PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The risk may be bound to replenish a proportion of its borrowings at times of unfavourable interest rates. The Authority sets limits on the proportion of its fixed borrowing during specific periods and seeks to ensure an even maturity profile through a combination of planning when to take new loans and where economic when to make early repayments.

The maturity structure of financial liabilities at nominal value is as follows (liability figure per Table 1 includes accrued interest on PWLB and LOBOs of £6,582k (prior year £5,376k):

**TABLE 6 – LIQUIDITY RISK**

On 31 March 2015	Loans outstanding	On 31 March 2016
£'000		£'000
60,492	Less than 1 year	50,778
3,327	Between 1 and 2 years	11,850
9,004	Between 2 and 5 years	3,003
2	Between 5 and 10 years	7,001
298,500	More than 10 years	383,850
<b>371,325</b>	<b>Total</b>	<b>456,482</b>

In the more than 10 years category there are £40m (31 March 2015 £58m) of LOBOs which have a call date in the next 12 months.

### 3. Market Risk

#### Interest rate risk

The Authority 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 Authority. A rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- investments at variable rates - the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates - the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or other comprehensive income and expenditure. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the general fund balance.



## NOTES TO THE ACCOUNTS

The Authority has a number of strategies for managing interest rate risk. The policy is to have up to a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to inform budget monitoring during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher than market rate with all other variables held constant, the financial effect would be:

<b>TABLE 7 – INTEREST RATE RISK</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Increase in interest payable on variable rate borrowings	580	400
Increase in interest receivable on variable rate investments	0	0
Increase in government grant receivable for financing costs	0	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>580</b>	<b>400</b>
<b>Share of overall impact debited to the Housing Revenue Account</b>	<b>97</b>	<b>140</b>
Decrease in fair value of fixed rate investment assets	73	44
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>73</b>	<b>44</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or other comprehensive I&E)	72,840	88,550

### Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

### Price Risk

The Authority does not generally invest in equity shares but does have an equity shareholding of £50k in the stadium management company where its holding has been valued at cost as no reliable fair value can be obtained.

## NOTES TO THE ACCOUNTS

### Financial Instruments Adjustment Account

31/03/2015	31/03/2016
£'000	£'000
<b>-1,434</b> Balance brought forward	<b>-1,537</b>
119 PWLB Premia amortisation	119
-222 PWLB Discounts amortisation	-222
10 LOBO equivalent interest rate amortisation	-514
-10 Notional advances right to buy sales	-6
<b><u>-1,537</u></b> Published Balance as at 31st March	<b><u>-2,160</u></b>

### Analysis of Borrowing

31/03/2015 Sources of borrowing	31/03/2016
£'000	£'000
209,792 Public Works Loan Board	304,851
99,221 Money market	99,213
<b>309,013</b> Total borrowing greater than one year	<b>404,064</b>
1 Stock issues	1
6,952 Public Works Loans Board	5,254
392 Money market	400
4 Local bonds & internal mortgages	4
1,244 Temporary loans	1,055
<b><u>8,593</u></b> Total borrowing less than one year	<b><u>6,714</u></b>
<b><u>317,606</u></b>	<b><u>410,778</u></b>

### Maturity dates for the repayment of loans

31/03/2015	31/03/2016
£'000	£'000
1,244 Temporary loans up to 1 year	6,423
Long term debt maturing within:-	
6,957 1 year	291
286 1 - 2 years	9,002
9,004 2 – 5 years	3,003
2 5 -10 years	7,001
300,113 Over 10 years	385,058
<b><u>317,606</u></b>	<b><u>410,778</u></b>

## NOTES TO THE ACCOUNTS

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

	31 March 2016			
	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	
<b>Recurring fair value measurements using:</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>				
<i>Loans and receivables:</i>				
Other loans and receivables	0	4,049	0	4,049
<b>Total</b>	<b>0</b>	<b>4,049</b>	<b>0</b>	<b>4,049</b>

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Financial Assets	Financial liabilities
- no early repayment or impairment is recognised	- no early repayment is recognised
- estimated ranges of interest rates at 31 March 2016 of 0.25% to 1.41% for loans receivable, based on new lending rates for equivalent loans at that date	- estimated ranges of interest rates at 31 March 2016 of 0.21% to 3.5% for loans payable based on new lending rates for equivalent loans at that date
- the fair value of trade and other receivables is taken to be the invoiced or billed amount	- the fair value of WG loans are taken at nominal value

## NOTES TO THE ACCOUNTS

### 17. Short Term Debtors

31st March 2015 £'000		31st March 2016 £'000
35,936	Central government bodies	35,536
2,095	Other local authorities	2,589
2,965	NHS bodies	1,681
0	Public corporations and trading funds	3
30,399	Other entities and individuals	25,839
1,500	Payments In Advance	1,665
-13,086	Provision for doubtful debts	-13,148
<b>59,809</b>	<b>Total</b>	<b>54,165</b>

### 18. Cash and Cash Equivalents

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

Authority	Group	Authority	Group
31st March 2015 £'000	31st March 2015 £'000	31st March 2016 £'000	31st March 2016 £'000
249	249	391	391
	Cash held by the Authority		
40,069	40,080	36,662	36,673
	Bank current accounts		
<b>40,318</b>	<b>40,329</b>	<b>37,053</b>	<b>37,064</b>
	<b>Total Cash and Cash Equivalents</b>		

### 19. Assets Held for Sale

All of the assets held for sale have been classified as current assets.

2014/15 £'000		2015/16 £'000
767	Balance outstanding at start of year	5,124
-6	Revaluation gains/losses	58
6,800	Assets classified to/from held for sale:	-961
-2,437	Assets sold	-799
<b>5,124</b>	<b>Balance outstanding at year end</b>	<b>3,422</b>

### 20. Creditors

Authority	Group	Authority	Group
31st March 2015 £'000	31st March 2015 £'000	31st March 2016 £'000	31st March 2016 £'000
9,450	9,450	7,199	7,199
	Central government bodies		
4,880	4,880	2,884	2,884
	Other local authorities		
3,164	3,164	446	446
	NHS bodies		
22	22	262	262
	Public corporations and trading funds		
38,551	38,551	38,641	38,641
	Other entities and individuals		
6,532	6,522	6,586	6,576
	Receipts In Advance		
<b>62,599</b>	<b>62,589</b>	<b>56,018</b>	<b>56,008</b>
	<b>Total</b>		

## NOTES TO THE ACCOUNTS

### 21. Provisions

#### Short - term

	Outstanding Legal Cases £'000	Injury and Damage Compensation Claims £'000	Employee Benefits £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2015</b>	315	3,084	19,219	1,241	23,859
Additional provisions made in 2015/16	12	786	8	924	1,730
Amounts used in 2015/16	-335	-2,998	-16,582	-863	-20,778
Unused amounts reversed in 2015/16	0	0	0	0	0
Transfer from long term to short term	150	1,234	0	0	1,384
<b>Balance at 31 March 2016</b>	<b>142</b>	<b>2,106</b>	<b>2,645</b>	<b>1,302</b>	<b>6,195</b>

#### Long - term

	Outstanding Legal Cases £'000	Injury and Damage Compensation Claims £'000	Employee Benefits £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2015</b>	150	3,768	14	8,583	12,515
Additional provisions made in 2015/16	0	1,664	0	0	1,664
Amounts used in 2015/16	0	0	0	-22	-22
Unused amounts reversed in 2015/16	0	0	0	0	0
Transfer from long term to short term	-150	-1,234	0	0	-1,384
<b>Balance at 31 March 2016</b>	<b>0</b>	<b>4,198</b>	<b>14</b>	<b>8,561</b>	<b>12,773</b>

#### **Outstanding Legal Cases**

The Authority has incurred legal costs in defending its position across a number of issues and will seek to defray those costs against third parties if appropriate. To the extent that this is considered unlikely this provision is intended to quantify and provide for the expected extent of irrecoverable costs.

## NOTES TO THE ACCOUNTS

### Injury and Damage Compensation Claims

This is in respect of excess charges and uninsured costs on all known outstanding insurance claims made against the Authority in respect of all injury and compensation claims outstanding at the Balance Sheet date.

### Employee Benefits

This is in respect of the potential costs of settling all reasonably expected equal pay compensation claims as they exist at the Balance Sheet date on the basis that following the implementation of an equal pay compliant pay structure a significant element of the potential liability will be settled by way of compensation payment rather than as backpay. It is envisaged the majority of this will be settled within 1 year.

### Other Provisions

These amounts are to cover a variety of potential liabilities including land compensation claims following compulsory purchase, potential sums arising out of grant reclaims and obsolete stock. Other provisions include a significant capital provision (£7.143m) for the future remediation and maintenance of major land refuse disposal sites. Of the £7.143m, £4.360m is likely to be settled with the next ten years and the remaining £2.783m over the next forty years.

### 22. Unusable Reserves

31st March 2015 £'000	31st March 2016 £'000
<b>325,265</b> Revaluation Reserve	475,796
<b>535,261</b> Capital Adjustment Account	488,156
-1,537 Financial Instruments Adjustment Account	-2,160
-569,890 Pensions Reserve	-569,640
-8,731 Accumulated Absences Account	-9,906
<b>280,368</b> <b>Total Unusable Reserves</b>	<b>382,246</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

### Revaluation Reserve

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

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

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

## NOTES TO THE ACCOUNTS

2014/15 £'000	2015/16 £'000
<b>223,832</b> Balance at 1st April	<b>325,265</b>
Upward revaluation of assets -	
93,447 Cost	218,744
68,404 Depreciation	6,650
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services -	
<b>-59,805</b> Cost	-50,178
11,949 Depreciation	2,588
<b>113,995</b> Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	177,804
-10,826 Difference between fair value depreciation and historical cost depreciation	-26,347
-1,736 Accumulated gains on assets sold or scrapped	-926
-12,562 Amount written off to the Capital Adjustment Account	-27,273
<b>325,265</b> Balance at 31st March	<b>475,796</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

### 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 amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## NOTES TO THE ACCOUNTS

2014/15		2015/16
£'000		£'000
<b>525,447</b>	<b>Balance at 1st April</b>	<b>535,261</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
<b>-52,191</b>	Charges for depreciation and impairment of non-current assets	-75,850
-11,520	Revaluation losses on Property, Plant and Equipment	-8,955
-488	Amortisation of intangible assets	-660
-15,892	Revenue expenditure funded from capital under statute	-8,514
0	HRA Exit Subsidy	-73,580
-2,913	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-4,626
<b>-83,004</b>		-172,185
12,562	Adjusting amounts written out of the Revaluation Reserve	27,273
<b>-70,442</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	-144,912
	Capital financing applied in the year:	
3,669	Use of the Capital Receipts Reserve to finance new capital expenditure	12,902
34,794	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	39,761
15,751	Statutory provision for the financing of the capital investment charged against the General Fund and HRA balances	16,322
18,084	Capital expenditure charged against the HRA and General Fund balances	26,787
72,298		95,772

***The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.***



## NOTES TO THE ACCOUNTS

2014/15		2015/16
£'000		£'000
7,958	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,035

**535,261 Balance at 31st March**

**488,156**

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

### 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.

2014/15		2015/16
£'000		£'000
<b>-1,434</b>	<b>Balance at 1st April</b>	<b>-1,537</b>
	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	
-103	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-103
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-520

**-1,537 Balance at 31st March**

**-2,160**

## NOTES TO THE ACCOUNTS

### Pensions Reserve

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

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
<b>-480,700 Balance at 1st April</b>	<b>-569,890</b>
-71,890 Remeasurements of the net defined benefit liability/(asset)	18,670
-53,550 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-57,060
-4,360 Past service cost adjustment	-2,200
40,610 Employer's pensions contributions and direct payments to pensioners payable in the year	40,840
<b><u>-569,890</u> Balance at 31st March</b>	<b><u>-569,640</u></b>

## NOTES TO THE ACCOUNTS

### 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 entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014/15	2015/16
£'000	£'000
<b>-7,270</b> Balance at 1st April	<b>-8,731</b>
7,270 Settlement or cancellation of accrual made at the end of the preceding year	8,731
-8,731 Amounts accrued at the end of the current year	-9,906
-1,461 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-1,175
<b>-8,731</b> Balance at 31st March	<b>-9,906</b>

### 23. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2014/15	2015/16
£'000	£'000
265 Interest received	349
-17,200 Interest paid	-20,417
<b>-16,935</b>	<b>-20,068</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

Authority	Group	Authority	Group
2014/15	2014/15	2015/16	2015/16
£'000	£'000	£'000	£'000
<b>63,711</b>	<b>63,711</b>	84,805	84,805
-7,958	-7,958	-2,035	-2,035
488	488	660	660
2,341	2,128	-6,774	-6,774
-5,499	-5,499	8,972	8,972
-213	-213	186	186
17,300	17,300	18,420	18,420

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## NOTES TO THE ACCOUNTS

Authority 2014/15 £'000	Group 2014/15 £'000		Authority 2015/16 £'000	Group 2015/16 £'000
-2,913	-2,913	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-4,626	-4,626
-6,290	-6,110	Other non-cash items charged to the net surplus or deficit on the provision of services	-15,615	-15,615
<b><u>60,967</u></b>	<b><u>60,934</u></b>		<b><u>83,993</u></b>	<b><u>83,993</u></b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2014/15 £'000		2015/16 £'000
-33,778	Any other items for which the cash effects are investing or financing cash flows	-38,078
<b><u>-33,778</u></b>		<b><u>-38,078</u></b>

### 24. Cash Flow Statement - Investing Activities

2014/15 £'000		2015/16 £'000
-71,922	Purchase of property, plant and equipment, investment property and intangible assets	-80,194
-687,452	Purchase of long and short term investments	-758,739
4,160	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,864
697,203	Proceeds from short-term and long-term investments	753,355
33,778	Other receipts from investing activities	38,078
<b><u>-24,233</u></b>	<b>Net cash flows from investing activities</b>	<b><u>-39,636</u></b>

### 25. Cash Flow Statement - Financing Activities

2014/15 £'000		2015/16 £'000
3,337	Cash receipts of short and long-term borrowing	105,759
-10,286	Repayments of short and long-term borrowing	-13,119
<b><u>-6,949</u></b>	<b>Net cash flows from financing activities</b>	<b><u>92,640</u></b>

# NOTES TO THE ACCOUNTS

## 26. Amounts Reported For Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements.

In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement). Revenue expenditure funded from capital under statute (REFCUS) is also charged to services in the Comprehensive Income and Expenditure Statement.
- Gains or losses on the disposal of non-current assets are not charged. They are charged to the Comprehensive Income and Expenditure Statement.
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year (IAS19).
- No accruals are charged for employee benefits. Employee benefits accruals are charged to services in the Comprehensive Income and Expenditure Statement.
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's directorates recorded in the budget reports for the year is as follows:

	Director of Place £'000	Director of Corporate Services £'000	Director of People - Education £'000	Director of People - Social Services £'000	Director of People - Poverty & Prevention £'000	Housing Revenue Account £'000	Total £'000
<b>Directorate Income and Expenditure</b>							
<b>2015/16</b>							
Employee expenses	68,225	30,875	152,891	48,513	8,716	10,057	319,277
Premises	19,736	235	8,313	827	548	13,940	43,599
Transport	14,793	96	8,616	1,858	160	260	25,783
Supplies & Services	37,739	12,157	26,038	20,719	1,552	2,712	100,917
Other Costs	8,788	105,248	7,000	73,971	5,000	73,611	273,618
<b>Total Expenditure</b>	<b>149,281</b>	<b>148,611</b>	<b>202,858</b>	<b>145,888</b>	<b>15,976</b>	<b>100,580</b>	<b>763,194</b>
Fees, charges & other service income	-75,827	-3,904	-15,778	-26,034	-622	-55,812	-177,977
Government grants	-21,062	-94,325	-27,608	-16,337	-10,617	-506	-170,455
<b>Total Income</b>	<b>-96,889</b>	<b>-98,229</b>	<b>-43,386</b>	<b>-42,371</b>	<b>-11,239</b>	<b>-56,318</b>	<b>-348,432</b>
<b>Net Expenditure</b>	<b>52,392</b>	<b>50,382</b>	<b>159,472</b>	<b>103,517</b>	<b>4,737</b>	<b>44,262</b>	<b>414,762</b>

## NOTES TO THE ACCOUNTS

	Director of Place £'000	Director of Corporate Services £'000	Director of People - Education £'000	Director of People - Social Services £'000	Director of People - Poverty & Prevention £'000	Housing Revenue Account £'000	Total £'000
<b>Directorate Income and Expenditure</b>							
<b>2014/15 Comparative Figures</b>							
Employee expenses	68,098	28,609	150,947	48,237	8,491	9,627	314,009
Premises	18,653	191	10,059	1,119	582	13,432	44,036
Transport	15,706	102	8,784	1,838	161	231	26,822
Supplies & Services	44,924	13,396	25,293	22,531	1,860	1,467	109,471
Other Costs	3,956	109,219	14,550	74,570	6,820	6,612	215,727
<b>Total Expenditure</b>	<b>151,337</b>	<b>151,517</b>	<b>209,633</b>	<b>148,295</b>	<b>17,914</b>	<b>31,369</b>	<b>710,065</b>
Fees, charges & other service income	-76,326	-3,260	-19,884	-23,955	-349	-53,436	-177,210
Government grants	-19,715	-101,301	-28,773	-19,871	-12,921	0	-182,581
<b>Total Income</b>	<b>-96,041</b>	<b>-104,561</b>	<b>-48,657</b>	<b>-43,826</b>	<b>-13,270</b>	<b>-53,436</b>	<b>-359,791</b>
<b>Net Expenditure</b>	<b>55,296</b>	<b>46,956</b>	<b>160,976</b>	<b>104,469</b>	<b>4,644</b>	<b>-22,067</b>	<b>350,274</b>

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

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

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Net expenditure in the Directorate Analysis	350,274	414,762
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	<b>98,426</b>	107,675
	<b>448,700</b>	522,437
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-34,800	-35,030
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>413,900</b>	<b>487,407</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## NOTES TO THE ACCOUNTS

### Reconciliation to Subjective Analysis

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

	Directorate Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I & E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>2015/16</b>						
Fees, charges & other service income	-177,977	33,546	0	-144,431	-41,595	-186,026
Interest and investment income	0	0	0	0	-349	-349
Income from council tax	0	0	0	0	-100,346	-100,346
Government grants and contributions	-170,455	0	0	-170,455	-342,681	-513,136
<b>Total Income</b>	<b>-348,432</b>	<b>33,546</b>	<b>0</b>	<b>-314,886</b>	<b>-484,971</b>	<b>-799,857</b>
Employee expenses	319,277	37,137	-35,030	321,384	21	321,405
Premises	43,599	0	0	43,599	6,242	49,841
Transport	25,783	0	0	25,783	0	25,783
Supplies & Services	100,917	0	0	100,917	0	100,917
Other Costs	273,618	-48,473	0	225,145	45,720	270,865
Depreciation, amortisation and impairment	0	85,465	0	85,465	0	85,465
Interest Payments	0	0	0	0	20,417	20,417
Precepts & Levies	0	0	0	0	30,577	30,577
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	-3,229	-3,229
<b>Total Expenditure</b>	<b>763,194</b>	<b>74,129</b>	<b>-35,030</b>	<b>802,293</b>	<b>99,748</b>	<b>902,041</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>414,762</b>	<b>107,675</b>	<b>-35,030</b>	<b>487,407</b>	<b>-385,223</b>	<b>102,184</b>

## NOTES TO THE ACCOUNTS

	Directorate Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I & E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>2014/15 Comparative Figures</b>						
Fees, charges & other service income	-177,210	36,934	0	-140,276	-47,110	-187,386
Interest and investment income	0	0	0	0	-265	-265
Income from council tax	0	0	0	0	-94,976	-94,976
Government grants and contributions	-182,581	0	0	-182,581	-350,782	-533,363
<b>Total Income</b>	<b>-359,791</b>	<b>36,934</b>	<b>0</b>	<b>-322,857</b>	<b>-493,133</b>	<b>-815,990</b>
Employee expenses	314,009	42,044	-34,800	321,253	15	321,268
Premises	44,036	0	0	44,036	750	44,786
Transport	26,822	0	0	26,822	0	26,822
Supplies & Services	109,471	0	0	109,471	2	109,473
Other Costs	215,727	-44,158	0	171,569	53,560	225,129
Depreciation, amortisation and impairment	0	<b>63,606</b>	0	<b>63,606</b>	0	<b>63,606</b>
Interest Payments	0	0	0	0	17,200	17,200
Precepts & Levies	0	0	0	0	29,305	29,305
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	-1,183	-1,183
<b>Total Expenditure</b>	<b>710,065</b>	<b>61,492</b>	<b>-34,800</b>	<b>736,757</b>	<b>99,649</b>	<b>836,406</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>350,274</b>	<b>98,426</b>	<b>-34,800</b>	<b>413,900</b>	<b>-393,484</b>	<b>20,416</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*



## NOTES TO THE ACCOUNTS

### 27. Trading Operations

In accordance with the Service Reporting Code of Practice (SeRCOP) which has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) the Authority undertakes a number of activities which are defined as trading activities within the meaning of the Code.

All the Authority's trading operations are an integral part of one of the Authority's services to the public and are incorporated into the Comprehensive Income and Expenditure Statement.

#### 2015/16

	Turnover £'000	Expenditure £'000	Surplus/- Deficit £'000
Council Car Parks	4,382	2,374	2,008
Grand Theatre	3,241	5,167	-1,926
Indoor Market	1,129	3,505	-2,376
Council Catering including school meals	6,572	6,542	30
Trade Waste	2,978	2,296	682
Swansea Marina	1,106	1,191	-85
	19,408	21,075	-1,667

#### 2014/15

	Turnover £'000	Expenditure £'000	Surplus/- Deficit £'000
Council Car Parks	4,143	2,331	1,812
Grand Theatre	3,061	4,917	-1,856
Indoor Market	1,081	402	679
Council Catering including school meals	6,267	6,351	-84
Trade Waste	2,581	2,084	497
Swansea Marina	1,054	1,132	-78
	18,187	17,217	970

### 28. Members' Allowances

The Authority paid the following amounts to members of the Council during the year.

	2014/15 £'000	2015/16 £'000
Allowances	1,271	1,290
Expenses	16	10
<b>Total</b>	1,287	1,300

## NOTES TO THE ACCOUNTS

### 29. Officers' Remuneration

(a) The following tables set out the remuneration for Senior Officers whose salary is less than £150,000 but equal to or more than £60,000 per year.

**Table 1 - 2015/16**

	Remuneration (including Fees & Allowances)	* Expense Allowances	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions (22.4%)	Total remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive	140,000	0	0	<b>140,000</b>	0	<b>140,000</b>
Director Place	110,000	0	0	<b>110,000</b>	24,640	<b>134,640</b>
Director Corporate Services	110,000	0	0	<b>110,000</b>	24,640	<b>134,640</b>
Director People	100,487	0	0	<b>100,487</b>	22,509	<b>122,996</b>
Chief Operating Officer	90,184	0	0	<b>90,184</b>	20,087	<b>110,271</b>
Chief Social Services Officer (a)	81,513	0	0	<b>81,513</b>	16,698	<b>98,211</b>
Chief Education Officer	91,877	0	0	<b>91,877</b>	20,581	<b>112,458</b>
Head of Legal and Democratic Services	80,917	0	0	<b>80,917</b>	18,047	<b>98,964</b>
Head of Education Inclusion (i)	30,495	0	12,745	<b>43,240</b>	6,182	<b>49,422</b>
Head of Child and Family Services (c)	4,987	0	0	<b>4,987</b>	1,117	<b>6,104</b>
Head of Education Planning and Resources	71,750	0	0	<b>71,750</b>	16,072	<b>87,822</b>
Head of Housing & Public Protection	81,843	0	0	<b>81,843</b>	18,333	<b>100,176</b>
Head of Economic Regeneration & Planning	82,000	0	0	<b>82,000</b>	18,368	<b>100,368</b>
Head of Communications & Customer Engagement	69,175	0	0	<b>69,175</b>	15,495	<b>84,670</b>
Head of Human Resources & Organisational Development	69,369	0	0	<b>69,369</b>	15,495	<b>84,864</b>
Head of Finance and Delivery	81,962	0	0	<b>81,962</b>	18,360	<b>100,322</b>
<b>Balance c/f</b>	<b>1,296,559</b>	<b>0</b>	<b>12,745</b>	<b>1,309,304</b>	<b>256,624</b>	<b>1,565,928</b>

## NOTES TO THE ACCOUNTS

Table 1 - 2015/16 continued

Post title	Remuneration (including Fees * Expense & Allowances)	* Expense Allowances	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions (22.4%)	Total remuneration including pension contributions
	£	£	£	£	£	£
<b>Balance b/f</b>	<b>1,296,559</b>	<b>0</b>	<b>12,745</b>	<b>1,309,304</b>	<b>256,624</b>	<b>1,565,928</b>
Head of Poverty & Prevention	61,487	0	0	<b>61,487</b>	13,773	<b>75,260</b>
Head of Waste Management & Parks	81,988	0	0	<b>81,988</b>	18,365	<b>100,353</b>
Head of Adult Services (e)	8,848	0	48,616	<b>57,464</b>	1,361	<b>58,825</b>
Head of Cultural Services	74,300	0	0	<b>74,300</b>	16,643	<b>90,943</b>
Head of Education Improvement (j)	76,875	0	0	<b>76,875</b>	17,220	<b>94,095</b>
Head of Information & Business Change	66,613	0	0	<b>66,613</b>	14,921	<b>81,534</b>
Head of Highways and Transportation	79,297	0	0	<b>79,297</b>	17,791	<b>97,088</b>
Interim Chief Social Services Officer (b)	88,584	0	0	<b>88,584</b>	19,843	<b>108,427</b>
Interim Head of Child and Family Services (d)	62,571	0	0	<b>62,571</b>	14,016	<b>76,587</b>
Head of Adult Services (f)	42,596	0	0	<b>42,596</b>	9,542	<b>52,138</b>
Head of Commercial Services (g)	34,932	0	0	<b>34,932</b>	7,825	<b>42,757</b>
Head of Learner Support Services (h)	9,028	0	0	<b>9,028</b>	2,022	<b>11,050</b>
<b>Total</b>	<b>1,983,678</b>	<b>0</b>	<b>61,361</b>	<b>2,045,039</b>	<b>409,946</b>	<b>2,454,985</b>

## NOTES TO THE ACCOUNTS

\* The expense allowance represents an allowance for telephone costs.  
No bonus payments or benefit in kind payments were made to the Officers detailed in these notes.

- (a) The Chief Social Services Officer is on long term sick so an Interim Chief Social Services Officer has been appointed.
- (b) The Interim Chief Social Services Officer commenced on 23rd April 2015.
- (c) The Head of Child and Family Services is the Interim Social Services Officer since 23rd April 2015.
- (d) The Interim Head of Child and Family Services commenced on 14th May 2015.
- (e) The Head of Adult Services left the Authority on 30th April 2015.
- (f) The Head of Adult Services commenced on 10th August 2015.
- (g) The Head of Commercial Services commenced on 5th October 2015.
- (h) The Head of Learner Support Services commenced on 15th February 2016.
- (i) The Head of Education Inclusion left the Authority on 31st July 2015.
- (j) The Head of Education Improvement is a joint post with Neath Port Talbot County Borough Council as part of the ERW academic regional consortium.

## NOTES TO THE ACCOUNTS

The following tables set out the remuneration for Senior Officers whose salary is less than £150,000 but equal to or more than £60,000 per year.

**Table 1 - 2014/15**

	Remuneration (including Fees & Allowances)	* Expense Allowances	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions (22.4%)	Total remuneration including pension contributions
	£	£	£	£	£	£
Chief Executive	140,000	0	0	<b>140,000</b>	0	<b>140,000</b>
Director Place	110,000	0	0	<b>110,000</b>	24,640	<b>134,640</b>
Corporate Director Environment (a)	1,222	0	58,375	<b>59,597</b>	274	<b>59,871</b>
Director Corporate Services	110,000	0	0	<b>110,000</b>	24,640	<b>134,640</b>
Director People	97,500	0	0	<b>97,500</b>	21,840	<b>119,340</b>
Chief Operating Officer	85,506	0	0	<b>85,506</b>	19,040	<b>104,546</b>
Chief Social Services Officer	92,500	0	0	<b>92,500</b>	20,720	<b>113,220</b>
Chief Education Officer (b)	69,932	0	0	<b>69,932</b>	15,665	<b>85,597</b>
Head of Legal, Democratic Services and Procurement	80,352	0	0	<b>80,352</b>	17,920	<b>98,272</b>
Director Culture, Sport/Leisure & Tourism (c)	40,000	0	67,882	<b>107,882</b>	8,960	<b>116,842</b>
Head of Education Inclusion	80,000	27	0	<b>80,027</b>	17,920	<b>97,947</b>
Head of Child and Family Services	80,000	0	0	<b>80,000</b>	17,920	<b>97,920</b>
Head of Education Planning and Resources	70,000	27	0	<b>70,027</b>	15,680	<b>85,707</b>
Head of Housing & Public Protection	82,500	0	0	<b>82,500</b>	18,480	<b>100,980</b>
Head of Economic Regeneration & Planning	80,000	0	0	<b>80,000</b>	17,920	<b>97,920</b>
Head of Communications & Customer Engagement	65,000	0	0	<b>65,000</b>	14,560	<b>79,560</b>
<b>Balance c/f</b>	<b>1,284,512</b>	<b>54</b>	<b>126,257</b>	<b>1,410,823</b>	<b>256,179</b>	<b>1,667,002</b>

## NOTES TO THE ACCOUNTS

Table 1 - 2014/15 continued

Post title	Remuneration (including Fees * Expense & Allowances) £	* Expense Allowances £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (22.4%) £	Total remuneration including pension contributions £
<b>Balance b/f</b>	<b>1,284,512</b>	<b>54</b>	<b>126,257</b>	<b>1,410,823</b>	<b>256,179</b>	<b>1,667,002</b>
Head of Human Resources & Organisational Development	65,190	0	0	<b>65,190</b>	14,560	<b>79,750</b>
Head of Finance and Delivery	72,922	0	0	<b>72,922</b>	16,240	<b>89,162</b>
Head of Poverty & Prevention	57,500	0	0	<b>57,500</b>	12,880	<b>70,380</b>
Head of Waste Management	77,500	0	0	<b>77,500</b>	17,360	<b>94,860</b>
Interim Head of Delivery & Information (f)	20,833	0	36,777	<b>57,610</b>	4,667	<b>62,277</b>
Head of Adult Services	67,500	0	0	<b>67,500</b>	15,120	<b>82,620</b>
Interim Head of Human Resources & Organisational Development	57,500	0	0	<b>57,500</b>	12,880	<b>70,380</b>
Head of Cultural Services (d)	42,903	0	0	<b>42,903</b>	9,610	<b>52,513</b>
Head of Education Improvement (e)	43,750	0	0	<b>43,750</b>	9,800	<b>53,550</b>
Head of Information & Business Change (g)	47,049	0	0	<b>47,049</b>	10,539	<b>57,588</b>
Chief Education Officer (h)	3,871	0	0	<b>3,871</b>	867	<b>4,738</b>
Head of Highways and Transportation (i)	55,040	0	0	<b>55,040</b>	12,329	<b>67,369</b>
<b>Total</b>	<b>1,896,070</b>	<b>54</b>	<b>163,034</b>	<b>2,059,158</b>	<b>393,031</b>	<b>2,452,189</b>

## NOTES TO THE ACCOUNTS

\* The expense allowance represents an allowance for telephone costs.  
No bonus payments or benefit in kind payments were made to the Officers detailed in these notes.

- (a) The Corporate Director Environment left the Authority on 4th April 2014.
- (b) The Chief Education Officer left on 4th January 2015.
- (c) The Head of Culture, Sport/Leisure & Tourism retired on 30th September 2014.
- (d) The Head of Cultural Services commenced on 21st August 2014.
- (e) The Head of Education Improvement commenced on 1st September 2014. This is a joint post with Neath Port Talbot County Borough Council as part of the ERW academic regional consortium.
- (f) The Interim Head of Delivery & Information retired on 31st July 2014.
- (g) The Head of Information & Business Change commenced on 30th June 2014.
- (h) The Chief Education Officer commenced on 16th March 2015.
- (i) The Head of Highways and Transportation commenced on 7th July 2014.

## NOTES TO THE ACCOUNTS

(b) The number of employees (excluding Senior Officers) whose remuneration (excluding employer's pension contributions) was £60,000 or more, in bands of £5,000, were:

2014/15 Number of employees	<b>Restated</b> 2014/15 Number of employees	Remuneration Band	2015/16 Number of employees
33	37	£60,000 - £64,999	37
11	13	£65,000 - £69,999	22
4	5	£70,000 - £74,999	9
6	9	£75,000 - £79,999	1
2	4	£80,000 - £84,999	7
4	4	£85,000 - £89,999	4
1	1	£90,000 - £94,999	3
1	2	£95,000 - £99,999	0
1	2	£100,000 - £104,999	1
0	0	£105,000 - £109,999	0
1	1	£110,000 - £114,999	0
0	0	£115,000 - £119,999	1
0	0	£120,000 - £124,999	1
<b>64</b>	<b>78</b>	<b>Total</b>	<b>86</b>

The 2014/15 remuneration bands have been restated to include all remuneration including redundancy payments.

The remuneration bands above include one off payments regarding compensation for loss of office. These payments are not paid in return for services rendered to the Authority and are therefore not strictly remuneration, but the regulations covering disclosure of salary bandings require these amounts to be included in the calculation.

The numbers shown relate to Authority employees which predominantly include teaching staff. Senior Officers' remunerations are shown in the tables on pages 105 to 110.

The Authority is required to disclose the organisation's pay multiple. This is the ratio between the highest paid employee and the median earnings across the organisation.

In 2015/16 the remuneration of the Chief Executive was £140k (2014/15 £140k). This was 6.4 times (2014/15 6.6 times) the median remuneration of the organisation, which was £21,783 (2014/15 £21,321).



## NOTES TO THE ACCOUNTS

(c) The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

### 2014/15

Exit package cost band (including special payments)	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	£'000
£0 - £20,000	7	156	163		1,408
£20,001 - £40,000	2	49	51		1,423
£40,001 - £60,000	0	26	26		1,293
£60,001 - £80,000	0	16	16		1,123
£80,001 - £100,000	1	5	6		518
£100,000 - £150,000	0	5	5		562
<b>Total</b>	<b>10</b>	<b>257</b>	<b>267</b>		<b>6,327</b>

### 2015/16

Exit package cost band (including special payments)	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	£'000
£0 - £20,000	16	151	167		1,184
£20,001 - £40,000	3	37	40		1,065
£40,001 - £60,000	0	26	26		1,283
£60,001 - £80,000	1	12	13		907
£80,001 - £100,000	0	9	9		787
£100,000 - £150,000	0	4	4		507
<b>Total</b>	<b>20</b>	<b>239</b>	<b>259</b>		<b>5,733</b>

The average payback period against all early retirement / voluntary redundancy packages agreed for 2015/16 is less than 1 year.

## NOTES TO THE ACCOUNTS

### 30. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
262 Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales	262
104 Fees payable to the Auditor General for Wales in respect of statutory inspection	104
101 Fees payable to the Auditor General for Wales for the certification of grant claims and returns	100
8 Fees payable to the Auditor General for Wales for any other services	0
475	466

### 31. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15 and 2015/16:

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>	
94,976 Council Tax Income	100,346
76,436 Non Domestic Rates	70,092
241,789 Revenue Support Grant	237,542
6,363 School Building Improvement Grant	5,702
1,400 Regional Transport Programme Grant / Local Transport Fund	2,319
9,130 Housing MRA Grant	9,137
6,168 WEFO Convergence Grant	3,589
0 Road Safety / Safe Route in Communities	626
689 Lottery	0
3,832 General Capital Grant	3,868
0 Sandfields Renewal Area	1,314
0 Vibrant & Viable Places	3,998
0 Wales Retail Relief	1,385
338 Intermediate Care Fund	0
4,637 Other Grants and Contributions	3,109
<b>445,758</b>	<b>443,027</b>

## NOTES TO THE ACCOUNTS

2014/15		2015/16
£'000		£'000
	<b>Credited to Services</b>	
1,802	School Effectiveness Grant	0
0	Education Improvement Grant	10,433
52,677	Rent allowance subsidy	52,995
34,897	Rent rebate subsidy	35,673
3,459	Families First	3,385
459	Learning Pathways	0
14,613	Supporting people	13,609
5,657	Department for Children, Education, Lifelong Learning and Skills	5,543
2,325	Outcome agreement grant	2,346
2,048	COASTAL	0
4,769	Sustainable Waste Management Environment and Sustainable Development Grant 0 (ESD)	0 4,762
1,278	Housing Benefit Administration	1,278
6,064	Concessionary fares	6,256
3,831	Training and Enterprise Council Contract	1,198
1,466	Ethnic Minority Achievement Grant	0
7,200	Foundation Phase	0
5,476	Flying Start	5,991
17	Regional Transport Programme Grant	0
474	WEFO Convergence Grant	1,878
256	Vibrant and Viable Places	1,141
110	Sandfields Renewal Area	832
5,571	Pupil Deprivation Grant	6,385
718	Convergence RES	0
3,029	Communities First	2,517
1,003	Rural Development Plan	30
5,097	Bus Services Support Grant (BSSG)	6,064
7,454	Western Bay Intermediate Care Fund	851
1,616	Western Bay Regional Collaboration Grant	835
9,487	Other Grants	10,427
<b>182,853</b>		<b>174,429</b>
	<b>Short-Term Liabilities</b>	
0	Vibrant & Viable Places Grant	3,000
<b>0</b>		<b>3,000</b>
	<b>Long-Term Liabilities</b>	
3,000	Vibrant & Viable Places Grant	0
<b>3,000</b>		<b>0</b>

## **NOTES TO THE ACCOUNTS**

### **32. Related Parties**

The Authority 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 Authority.

#### **a) Central Government**

The Authority receives significant funding from the Welsh Government. Details of the sums received in respect of Revenue Support Grant and redistributed Non Domestic Rates are shown in the Comprehensive Income and Expenditure Statement, with details of other grant income being shown in note 31 to the Accounts.

#### **b) Charitable and Voluntary Bodies**

The Authority appoints members to represent it on numerous charitable and voluntary bodies which operate primarily within the City and County of Swansea, as well as to a number of national bodies where it is deemed in the Authority's interest to be represented. Any transactions with these bodies are not significant.

#### **c) Other Bodies**

The Authority has appointed members and officers to a number of outside organisations which include the following:-

Arts Council of Wales  
Coleg Harlech  
Community Health Council J.C.C.  
Cymdeithas Caer Las  
Gower Commoners Association  
Industrial Common Ownership Financial Fund  
Mid and West Wales Fire Authority  
South West Wales Tourism Partnership Limited  
National Waterfront Museum (Swansea) Limited  
South Wales Police Authority  
Swansea Bay Port Health Authority  
University of Wales Swansea – Court of Governors  
University of Wales Swansea - Council  
Welsh Joint Education Committee

A full listing can be obtained from the Finance department, Civic Centre, Oystermouth Road, Swansea, SA1 3SN and on the Authority's website ([www.swansea.gov.uk/councillors](http://www.swansea.gov.uk/councillors)).

## **NOTES TO THE ACCOUNTS**

In respect of the Mid and West Wales Fire Authority and the Swansea Bay Port Health Authority, amounts are paid by the Authority in respect of levies and precepts to these bodies. The Section 151 Officer of the Council also acts as the Clerk and Treasurer of the Swansea Bay Port Health Authority.

Levies / Contributions paid to the two bodies were:-

Mid and West Wales Fire Authority:-	£11.773m (2014/15: £11.524m)
Swansea Bay Port Health Authority:-	£0.093m (2014/15: £0.094m)

The Authority is responsible for the collection of Council Taxes on behalf of the South Wales Police Authority. The total collected and paid over to the South Wales Police Authority for 2015/16 was £17.800m (2014/15 £16.820m).

### **d) Subsidiary, Associates and Joint Ventures**

The Authority has an interest in seven companies, details of which are shown below:-

#### **Swansea City Waste Disposal Company Limited (SCWD Co Ltd.) - Subsidiary**

The Swansea City Waste Disposal Company Limited ("the Company") is a wholly owned subsidiary of the Authority. On 31st July 2013 the assets, liabilities and balances transferred from the company to the Authority. The Authority owns the total issued share capital of the company comprising of 4,879,000 ordinary shares of £1. The activities of the Company involved the management of the baling plant, civic amenity sites and the central land disposal site at Tir John.

In January 2013 the Authority made a decision to undertake future waste disposal operations in-house rather than through the Company. This was formally undertaken with effect from 31st July 2013 and as of that date all Assets, Liabilities and Balances of the Company were transferred to the City and County of Swansea. The Swansea City Waste Disposal Company has ceased trading and is a dormant company.

During 2014/15 the Swansea City Waste Disposal Company Limited issued 150,000 ordinary shares of £1 each.

The net liabilities of Swansea Waste Disposal Company Limited as at 30th September 2014 were £18k.

## **NOTES TO THE ACCOUNTS**

### **The National Waterfront Museum Swansea - Joint Venture**

The National Waterfront Museum Swansea (“the Company”) is limited by guarantee and is a registered charitable trust (charity number 1090512). The Company has seven directors, of which three are appointed by the City and County of Swansea, three by the National Museums and Galleries of Wales, with the seventh director being an independent chairman.

The purpose of the Company was to develop the National Industrial and Maritime Museum at Swansea which opened in Spring 2006. The Company derives its funds from several sources, including the Welsh Government, the National Museums and Galleries of Wales, the former Welsh Development Agency and the Heritage Lottery Fund.

During the 2002/03 financial year the Authority granted a lease to the Company of a substantial portion of the site on which the new museum has been developed. The lease was granted at a peppercorn rental and constitutes the Authority’s commitment to the scheme.

The museum has been leased to the National Museums and Galleries of Wales at a peppercorn rent by the Company. Due to the nature of the Company and its constitution there will be no direct beneficial interest arising to the Authority from its activities.

A contribution of £2,275 was made in 2015/16 and 2014/15 to National Waterfront Museum Swansea towards 50% of the governance costs of the charitable company. There were no creditors outstanding as at 31st March 2016 (2014/15 £3,460) . There was an outstanding debtor of £3,450 as at 31st March 2016 (2014/15 zero).The charitable company is deemed to be influenced significantly by the Authority through its representation on the Board of Trustees.

The net assets of the National Waterfront Museum Swansea at 31st March 2016 are £19,002,067 (2015 £18,990,636).

Copies of the accounts of the Company are available from the National Waterfront Museum Swansea Project Office, Queens Buildings, Cambrian Place, Swansea SA1 1TW.

### **The Wales National Pool (Swansea) - Joint Venture**

The Wales National Pool (Swansea) (“the Company”) is a company limited by guarantee. The purpose of the company is to operate the Wales National 50 Metre Pool which is located in Swansea.

The City and County of Swansea was responsible for the construction of the pool complex, with the bulk of funding being supplied by the National Lottery Sports Foundation. The pool has been constructed on land owned by the University of Wales, Swansea.

## NOTES TO THE ACCOUNTS

The pool complex is leased to the company at a peppercorn rent. Due to the nature of the facility, which is unlikely to show profitability, the development is not thought to have a high commercial value.

The pool complex was opened in April 2003. Details of the Authority's transactions with the Company during the year are as follows:-

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
316	Funding provided by the Authority towards operating costs of the pool	317
103	Sum paid for the free use of the pool by schools and other bodies	102
-776	Recharges of wages, salaries and other costs to the Company	-820

The Company has seven directors, of which three are appointed by the City and County of Swansea, three by the University of Wales (Swansea), with the seventh director being an independent chairman.

By agreement with the University of Wales Swansea, the Authority funds 50 per cent of the operational deficit that the Company makes during its financial year which operates from 1st August to 31st July. There are no other guarantees in place that could increase the Authority's liability in respect of the operations of the Company.

There were no material outstanding debtors and creditors at 31st March 2016 and 31st March 2015.

The net assets of Wales National Pool (Swansea) Limited at 31st March 2016 are zero (2015 zero).

Copies of the accounts of the Company are available from the University of Wales Swansea, Finance Department, Singleton Park, Swansea, SA2 8PP.

### **Swansea Stadium Management Company Limited (SSMC Limited) - Associate**

In March 2005, the City and County of Swansea purchased shares to the value of £50,000 in Swansea Stadium Management Company Limited, a company formed to operationally run the Liberty Stadium in Swansea. The stadium is a circa - 20,000 seater stadium, and is the home to Swansea City Association Football Club (The) Limited and Ospreys Rugby Limited. The stadium also has a number of banqueting and hospitality suites which can also be used for activities outside of sporting events.

The Council incurred £108k of expenditure in respect of the Swansea Stadium Management Company Limited in 2015/16 (2014/15: £107k). These sums were reimbursed by SSMC Ltd.

## **NOTES TO THE ACCOUNTS**

The outstanding debtors and creditors at 31st March 2016 were £70k and £0 (2015 £33k and £0).

The stadium was constructed by the City and County of Swansea, and is leased to SSMC Limited on a 50 year lease. The shareholding represents a one-third holding in the company with the other shares held by the above organisations equally. The constitution of the company is such that although all shareholders have an equal vote in operational issues, for matters deemed to be of a significant nature the City and County of Swansea may veto any decisions made by the Board, including the appointment of senior officers and the commissioning of events to be held at the stadium. The terms of a supplementary agreement entered into with the joint shareholders of the Company exempts the Authority from contributing to any past or future losses of the Company.

The Company has been loss making during 2015/16 and 2014/15. On the basis that the Authority is exempt from contributing to such losses, the company's results have not been consolidated into the Group Accounts.

Accounts for the company can be obtained from the company secretary, SSMC Limited, Liberty Stadium, Swansea, SA1 2FA.

### **Swansea Bay Futures Limited**

This company is currently dormant and the funding for the Company has ceased from 1st April 2011.

### **Bay Leisure Limited - Associate**

The Company was incorporated on 6th August 2007. The principal activity of the Company is to manage and operate the main Leisure Centre within the Authority's area – the 'LC'.

The company is a trust limited by guarantee, and, as such, the Authority has no direct shareholding or financial interest in the Company. The Company is treated as an associate within the group structure of the Authority. There has been no consolidation for Bay Leisure Limited due to the immateriality of the Company's results.



## **NOTES TO THE ACCOUNTS**

In terms of overall control, the Company has a Board consisting of eleven directors of which the Authority is able to nominate two.

The LC was constructed by the City and County of Swansea and remains classified as an operational asset within the Authority's accounts.

The LC is leased to Bay Leisure Limited for a period of ten years with the Company being responsible for all operational matters including day to day maintenance and repairs. As owner of the building the Authority is responsible for major repair/replacement/refurbishment items and, as such, is making an annual contribution to an earmarked reserve for future expenditure in this area.

In terms of future funding, the Authority is under an obligation to consider an annual funding request from the Company to provide sufficient funding by way of a management agreement to fund any operating deficit evidenced by the Company's business plan. Due consideration will be given to such requests taking into account any balances or reserves that the Company may hold.

Funding set aside in the Authority's revenue budget for 2015/16 amounts to £0.567m (2014/15 £0.617m) which reflects the management fee payable to the company.

The net assets of Bay Leisure Limited at 31st March 2016 are £527,450 (2015 £474,384).

Copies of the accounts of the Company are available from the LC, Oystermouth Road, Swansea, SA1 3ST.

### **e) Other Organisations**

Members of the Authority have direct control over the Authority's financial and operating policies.

During 2015/16 a Business Enhancement Programme (BEP) grant of £44,299 was paid to a company in which a Cabinet Member has an interest. The member's interest in this company was properly recorded in the Register of members interests which is available on the Authority's public website. During 2014/15 no payments were made to any organisations which constitute a Related Party in relation to any Members of the Council.

### **f) Duties imposed on Council Directors**

It is important to note that where Councillors are appointed to act as Directors of Companies or as Board Members of Statutory Agencies then they must, when carrying out such appointments, seek to act in the best interests of the Company / Statutory Body when acting in that official capacity.

### **g) Pension Fund**

The City and County of Swansea acts as administering Authority for the City and County of Swansea Pension Fund (formerly the West Glamorgan Pension Fund). The accounts of the Pension Fund are included as part of these accounts.

## **NOTES TO THE ACCOUNTS**

Transactions between the Authority and the Pension Fund mainly comprise the payment to the Pension Fund of employee and employer payroll superannuation deductions, together with payments in respect of enhanced pensions granted by Former Authorities.

The Pension Fund currently has 32 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a committee. The committee is advised by two independent advisors.

### **33. Group Accounts**

The following are the dates of relevant company accounts used for consolidation:

- Swansea City Waste Disposal Company Limited - Annual report for the year ending 30th September 2014,
- National Waterfront Museum Swansea - Audited Financial Statements for the year ending 31st March 2016,
- Wales National Pool Swansea - Report and financial statements for the year ended 31st July 2015.

In the opinion of the Authority the use of the above information is likely to adequately reflect the extent and nature of group income and expenditure and assets and liabilities that exist as at 31st March 2016 and the use of current information would not be significant in relation to the group position as stated.

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", all Group activities were classified as 'Continuing' during the year. There were no material acquisitions or discontinuations of services as defined by the Standard.

The total net assets of the Group can be analysed according to the relevant entity to which they relate, as follows:

<b><u>31st March</u></b>		<b><u>31st</u></b>
<b><u>2015</u></b>		<b><u>March</u></b>
<b><u>£'000</u></b>		<b><u>2016</u></b>
		<b><u>£'000</u></b>
968,105	City and County of Swansea (Parent)	1,062,148
21	Swansea City Waste Disposal Company Limited (Subsidiary)	21
9,496	National Waterfront Museum Swansea (Joint Venture)	9,502
<b>977,622</b>	<b>Net Assets Employed (exc. Pension Fund)</b>	<b>1,071,671</b>
-569,890	Net Group Pension Fund Liabilities	-569,640
<b>407,732</b>	<b>Net Assets Employed</b>	<b>502,031</b>

## NOTES TO THE ACCOUNTS

The City and County of Swansea (the Parent company) does not believe that it will receive a material benefit in the form of income or dividends from the related companies, and does not expect to make any contributions over and above the normal budgeted requirement. Since the related companies are limited by guarantee, any losses to the Authority will be limited to the value of the guarantee in each entity.

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

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
<b>380,702 Opening Capital Financing Requirement</b>	<b>396,270</b>
<b>Capital investment</b>	
71,670 Property, Plant and Equipment	79,086
63 Heritage Assets	90
3 Investment Properties	929
238 Intangible Assets	222
15,892 Revenue Expenditure Funded from Capital under Statute	8,514
0 HRA exit subsidy	73,580
 <b>Sources of finance</b>	
-2,103 Capital receipts	-12,265
-1,566 Capital receipts - set aside	-637
-34,794 Government grants and other contributions	-39,761
Sums set aside from revenue:	
-18,084 Direct revenue contributions	-26,787
-15,751 MRP/loans fund principal	-16,322
<b><u>396,270 Closing Capital Financing Requirement</u></b>	<b><u>462,919</u></b>
 <b>Explanation of movements in year</b>	
14,012 Increase in underlying need to borrowing	65,402
52 Assets acquired under finance leases	132
1,504 Other movements in year	1,115
<b><u>15,568 Increase/(decrease) in Capital Financing Requirement</u></b>	<b><u>66,649</u></b>

## NOTES TO THE ACCOUNTS

### 35. Leases

#### Authority as Lessee

#### Finance Leases

The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2016	31 March 2015
	£'000	£'000
Vehicles, Plant, Furniture and Equipment	1,656	2,472

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2016	31 March 2015
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments) :		
- current	594	606
- non-current	1,016	1,085
Finance costs payable in future years	106	111
Minimum lease payments	1,716	1,802

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Not later than one year	604	642	594	606
Later than one year and not later than five years	967	1,073	896	933
Later than five years	145	87	120	152
	1,716	1,802	1,610	1,691

## NOTES TO THE ACCOUNTS

### Operating Leases

The Authority has acquired IT equipment and telecommunications by entering into operating leases.

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

	<b>31 March 2016 £'000</b>	<b>31 March 2015 £'000</b>
Not later than one year	406	207
Later than one year and not later than five years	935	450
Later than five years	169	0
	<u>1,510</u>	<u>657</u>

The operating lease charge for the year was £490,971.23 (2014/15 £207,429.08).

### 36. Impairment Losses

During 2015/16 the Authority has recognised impairment charges of £9.89m (2014/15 £11.51m) within the Comprehensive Income and Expenditure Statement. Of this, £9.54m was attributable to non enhancing expenditure and the balance of £0.35m relates to two assets, Swansea Vale Spine Road and Land at Mill Lane, no longer being considered as development sites.

### 37. Termination Benefits

During 2015/16 the Authority incurred significant expenditure in terms of redundancy costs paid to leavers together with costs incurred in compensation payments to the Local Government Pension Fund in respect of early access pension costs.

In particular on 17th November 2011, in order to meet significant budget savings required for the financial year 2011/12 and onwards, the Cabinet authorised officers to seek expressions of interest for voluntary redundancy and/or early retirement from within selected employee groups of the Authority in accordance with the Authority's agreed ER/VR policy. The offer remains extant on a rolling basis. There is currently an enhanced offer for voluntary early departure from the Authority to accelerate the pace and scale of change and budgetary savings.

## **NOTES TO THE ACCOUNTS**

Costs were incurred relating to redundancy payments and early access to pension costs totalling £5.733m (2014/15 £6.327m) for the year.

These costs include provision for costs for a limited number of employees whose service will be terminated in 2016/17 but who had been offered - and accepted - severance terms as at 31st March 2016.

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

The above costs include both teaching and non teaching staff.

### **38. Pension Schemes Accounted For As Defined Contribution Schemes**

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

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

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31st March 2016, the Authority's own contributions equate to approximately 0.3%.

In 2015/16 the Authority paid £11.4m to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.5% of pensionable pay. The figures for 2014/15 were £10.45m and 14.1%. The March 2016 contributions of £1,005,736 were paid on the 7th April 2016. The contributions due to be paid in the next financial year are estimated to be £12.2m at an employer rate of 16.48%.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

The Authority is not liable to the scheme for any other entities obligations under the plan.

# NOTES TO THE ACCOUNTS

## 39. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by the City and County of Swansea - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The City and County of Swansea pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of the City and County of Swansea. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and the committee consist of the Corporate Director (Resources), Council members and independent investment advisers.

The principal risks to the Authority 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 and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### Discretionary Post-retirement Benefits

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

## NOTES TO THE ACCOUNTS

### Transactions Relating to Post-employment Benefits

We recognise 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 we are 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 and Housing Revenue Account 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:

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>2015/16</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Service cost comprising:				
- current service cost	39.57	33.80	0.00	0.00
- past service costs	2.20	2.66	0.00	1.70
Financing and Investment Income and Expenditure				
- Net interest expense	14.53	15.86	2.96	3.89
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>56.30</b>	<b>52.32</b>	<b>2.96</b>	<b>5.59</b>

### Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement

Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets	47.71	-47.85	0	0
- Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
- Actuarial gains and losses arising on changes in financial assumptions	-51.48	121.83	-2.82	8.04
- Other	-10.39	-6.11	-1.69	-4.02
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>42.14</b>	<b>120.19</b>	<b>-1.55</b>	<b>9.61</b>



## NOTES TO THE ACCOUNTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16 £m	2014/15 £m	2015/16 £m	2014/15 £m
<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	-56.30	-52.32	-2.96	-5.59
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
- employers' contributions payable to the scheme	35.03	34.8		
- retirement benefits payable to pensioners			5.81	5.81

### Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16 £m	2014/15 £m	2015/16 £m	2014/15 £m
Present value of the defined benefit obligation	1,348.06	1,346.19	91.21	98.57
Fair value of plan assets	869.63	874.87	0.00	0.00
<b>Net liability arising from defined benefit obligation</b>	<b>-478.43</b>	<b>-471.32</b>	<b>-91.21</b>	<b>-98.57</b>

## NOTES TO THE ACCOUNTS

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16	2014/15	2015/16	2014/15
	£m	£m	£m	£m
Opening fair value of scheme assets	874.87	778.96	0.00	0.00
Interest income	28.23	33.81	0.00	0.00
Remeasurement gain/(loss):				
- The return on plan assets, excluding the amount included in the net interest expense	-47.71	47.85	0.00	0.00
Contributions from employer	35.03	34.80	5.81	5.81
Contributions from employees into the scheme	9.23	9.11	0.00	0.00
Benefits paid	-30.02	-29.66	-5.81	-5.81
Net increase in assets from disposals/acquisitions	0.00	0.00	0.00	0.00
<b>Closing fair value of scheme assets</b>	<b>869.63</b>	<b>874.87</b>	<b>0.00</b>	<b>0.00</b>

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2015/16	2014/15	2015/16	2014/15
	£m	£m	£m	£m
Opening Balance at 1st April	1,346.19	1,164.89	98.57	94.77
Current service cost	39.57	33.80	0.00	0.00
Interest cost	42.76	49.67	2.96	3.89
Contributions from scheme participants	9.23	9.11	0.00	0.00
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	0.00	0.00	0.00	0.00
- Actuarial gains/losses arising from changes in financial assumptions	-51.48	121.83	-2.82	8.04
- Other	-10.39	-6.11	-1.69	-4.02
Past service cost	2.20	2.66	0.00	1.70
Benefits paid	-30.02	-29.66	-5.81	-5.81
Net increase in liabilities from disposals/acquisitions	0.00	0.00		0.00
<b>Closing balance at 31st March</b>	<b>1,348.06</b>	<b>1,346.19</b>	<b>91.21</b>	<b>98.57</b>

## **NOTES TO THE ACCOUNTS**

### **Local Government Pension Scheme assets comprised:**

	Fair value of scheme assets	
	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	62,783	22,512
Equity instruments:		
By industry type		
- Consumer	186,716	196,897
- Manufacturing	91,494	105,964
- Energy and utilities	82,351	79,608
- Financial institutions	139,514	171,333
- Health and care	76,081	78,544
- Information technology	62,672	48,178
- Telecommunications services	35,950	34,711
	<u>674,778</u>	<u>715,235</u>
Pooled Equity Investment Vehicles		
- UK	134,488	136,200
- Overseas	248,412	249,329
	<u>382,900</u>	<u>385,529</u>
Property	84,684	75,400
	<u>84,684</u>	<u>75,400</u>
Fixed Interest:		
- Fixed Interest	185,625	184,168
- Index-Linked	26,923	26,518
Sub-total private equity	<u>212,548</u>	<u>210,686</u>
Hedge Funds	48,494	51,522
Private Equity	42,428	31,162
Global Tactical Asset Allocation	0	15,426
Cash Funds	99	18,128
Other Investment Balances - Dividends Due	3,137	2,527
Net Current Assets	778	11,662
Total assets	<u><u>1,512,629</u></u>	<u><u>1,539,789</u></u>

## NOTES TO THE ACCOUNTS

	Fair value of scheme assets	
	2015/16	2014/15
	£'000	£'000
Equity instruments:		
By company size		
- Large capitalisation	502,269	525,243
- Small capitalisation	172,509	189,992
Sub-total equity instruments	674,778	715,235

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31st March 2013.

The significant assumptions used by the Actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16	2014/15	2015/16	2014/15
	Mortality assumptions:			
Longevity at 65 for current pensioners: (years)				
- Men	22.7	22.6	22.7	22.6
- Women	25.2	25.1	25.2	25.1
Longevity at 65 for future pensioners: (years)				
- Men	24.9	24.8		
- Women	27.5	27.4		
Rate of inflation %	1.8	1.8	1.8	1.8
Rate of increase in salaries %	3.3	3.3		
Rate of increase in pensions %	1.8	1.8	1.8	1.8
Rate for discounting scheme liabilities %	3.4	3.2	3.4	3.1

## NOTES TO THE ACCOUNTS

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table on the previous page. 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.

	<b>Impact on the Defined Benefit Obligation in the Scheme</b>	
	<b>Increase in Assumption £m</b>	<b>Decrease in Assumption £m</b>
Longevity (increase or decrease in 1 year)	1,313.15	-1,382.98
Rate of increase in salaries (increase or decrease by 0.1%)	1,355.68	-1,340.52
Rate of increase in pensions (increase or decrease by 0.1%)	1,366.35	-1,330.03
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,322.57	-1,374.04

### **Asset and Liability Matching (ALM) Strategy**

The pensions committee of the City and County of Swansea has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments.

As is required by the pensions and investment regulations the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (70% of scheme assets) and bonds (14.1%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments. There is a limited use of derivatives to manage the bond risk for the shorter-term instruments. The ALM strategy is monitored annually or more frequently if necessary.

# NOTES TO THE ACCOUNTS

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is as at 31st March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority expects to pay £33.95m contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 19.1 years (2014/15 19.1 years).

## 40. Contingent Liabilities

The Authority has identified a number of contingent future liabilities arising from current and past activities.

<b>Nature of Liability</b>	<b>Potential Financial Effect £'000</b>	<b>Comment</b>	<b>Timing</b>
Personal Social Services	Unknown	Relates to potential abuse claims relating to children cared for in previous authorities. Recent legislation has extended the period in which claims can be made beyond the initial period of six years during which a persons life could be said to be affected by abuse and, as such, the potential for such claims is greater than in the past. The Authority is not currently aware of any major claims.	Unknown

## NOTES TO THE ACCOUNTS

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Infrastructure and retaining walls	Unknown	There are potential claims regarding infrastructure and retaining walls which may be taken against the Authority - such claims will be rigorously defended through the Authority's insurers and any successful claims will be met from future capital or revenue funding.	Unknown
Financial Guarantees	Unknown	<p>The Authority has in place funding agreements in respect of operating losses/management fees with regard to the following operational companies:-</p> <ul style="list-style-type: none"> <li>- Bay Leisure Limited ( Leisure centre),</li> <li>- Wales National Pool Swansea.</li> </ul> <p>To date any contributions made to these companies have fallen within the annual revenue budget provision.</p> <p>With respect to Bay Leisure Limited (Swansea Leisure Centre) there is an obligation to consider annual funding requests but no contractual liability to fund deficits.</p> <p>In both instances the Authority makes what it considers to be a reasonable annual budget provision to meet its obligations based on business plans from both organisations and past funding experience, and, as such, any further liability would be limited to sums in excess of the normal budget provision.</p>	Unknown
Equal pay and Equal Value claims	Unknown	During 2008/2009 and 2009/10, in common with many other local authorities, the Authority made payments to certain staff in full settlement of potential equal pay claims. However, a number of claims remained unsettled and a considerable number of additional claims were subsequently received. The Authority has settled the majority of the liabilities by the 31st March 2016 but there are still some costs yet to be incurred. In respect of known future liabilities the Authority has made what it considers to be adequate revenue provision within the Accounts to cater for the estimated value of such residual liabilities.	2016/17

## NOTES TO THE ACCOUNTS

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
		There is a potential for further (as yet unknown) claims in respect of equal pay claims and in respect of equal value claims which are not provided for in these accounts.	
Job Evaluation	Unknown	The Authority has now implemented a pay and grading review designed primarily to comply with equal pay legislation. There is an appeals mechanism and the final costs of implementation will not be known until the appeals processes have been exhausted. The Authority believes it has made reasonable provision through the creation of provisions and changes to revenue budgets to meet the increased costs of implementation.	2016/17
Retention or Clawback on Grant and Contract Claims	Unknown	The Council undertakes a range of activities under which payment is made specifically on evidenced performance over an extended period. Full receipt is not guaranteed until the end of the grant or contract period. There is potential risk that grant clawback may arise if not all grant terms and conditions are fulfilled.	Unknown
Legal and Insurance related matters	Unknown	The Council is regularly challenged on a range of issues that are either subject to litigation or insurance claims. The Council at all times will vigorously defend such claims, and in cases where claims are identified, the result can be anticipated and the potential financial effect evaluated then adequate provision is made with the Accounts for any such liabilities. There remains the possibility however of future claims arising as a result of past actions that are either unknown at the Balance Sheet date or where the outcome is so unpredictable in terms of outcome or financial liability that no reliable estimate of liability can be made.	Unknown



## **NOTES TO THE ACCOUNTS**

### **41. Contingent Assets**

The Authority has identified a number of contingent assets based on past and ongoing challenge of VAT liability.

<u>Nature of Contingent asset</u>	<u>Potential financial effect</u> <u>£'000</u>	<u>Comment</u>	<u>Timing</u>
Royal Mail	Unknown	The Authority is lodging a claim against Royal Mail at the High Court for VAT on postage previously paid and for compound interest.	Unknown
HMRC Compound Interest	£1,000	The Authority has submitted a claim relating to previously settled 'Fleming' claims which were subject to simple interest. It is the Authority's contention that interest should have been accrued on a compound basis.	Unknown

### **42. Council Tax**

Council Tax income derives from charges raised according to the value of residential properties, which have been grouped into nine valuation bands using 1st April 2003 values for this specific purpose. Charges are calculated by taking the amount of Income required for the Council, police authorities and community councils for the forthcoming year and dividing the amount by the Council Tax base.

The Council Tax base is the number of properties in each band adjusted by a multiplier to convert the number to band 'D' equivalent and adjusted for discounts. The base was 89,066 in 2015/2016 (88,367 in 2014/2015).

The basic amount for a band 'D' property is £1,331.68 (£1,270.32 for 2014/15) is multiplied by the proportion specified for the particular band to give the individual amounts due.

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

## NOTES TO THE ACCOUNTS

The band 'D' numbers shown have been adjusted for an assumed collection rate of 97.5% (97.5% in 2014/15) to arrive at the Council Tax base for the year.

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band 'D' Number	12	8,987	18,203	17,979	13,848	13,296	10,216	5,721	2,071	1,017

Analysis of the net proceeds from Council Tax:

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
114,846 Council tax collectable	120,507
-531 Less:- Provision for non payment of Council tax	-496
-19,339 Less:- Council Tax Support Scheme	-19,665
<b>94,976</b>	<b>100,346</b>
Net proceeds from Council Tax	

Application of Council Tax proceeds:

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
112,255 City & County of Swansea precept	118,607
<b>868</b> Community Council precept	<b>910</b>
113,123 Council Tax requirement	119,517
-19,339 Less:- Council Tax Support Scheme	-19,665
1,192 Transfer to reserves	494
<b>94,976</b>	<b>100,346</b>
Net application of proceeds	

## NOTES TO THE ACCOUNTS

### 43. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount of the rate per pound of rateable value which for 2015/16 was 0.482p (0.473p in 2014/15) and, subject to the effects of transitional arrangements, 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. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £70.202m for 2015/16 (£68.271m for 2014/15) was based on a rateable value at year end of £192.135m (£190.229m 2014/15).

The £70.202m represents the NNDR income collected by the Council and paid into the NNDR Pool that is administered by the Welsh Government. The £70.092m disclosed in Note 10 (Taxation and Non Specific Grant Income) is the receipt the Council received back from the Welsh Government.

Analysis of the proceeds from non domestic rates:

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
69,956 Non – domestic rates due	71,867
-347 Council fund contribution to rate relief	-391
<u>69,609</u>	<u>71,476</u>
-462 Less: cost of collection	-465
-829 Provision for bad debts	-672
-47 Interest due on overpayments	-137
<u>68,271</u> NNDR due to pool	<u>70,202</u>
<u>76,436</u> Net receipt from pool	<u>70,092</u>

### 44. Jointly Controlled Operations

A joint arrangement is defined as "a contractual arrangement under which the participants engaged in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. A contractual arrangement where all significant matters of operating and financial policy are predetermined does not create an entity because the policies are those of its participants, not of a separate entity".

## NOTES TO THE ACCOUNTS

The CIPFA Code states that where such joint arrangements exist, each participant should account directly for its share of the assets, liabilities, income, expenditure and cash flows held within or arising from the arrangements.

The Authority works in partnership with many other Local Authorities in the joint provision of services. Traditionally one Authority acts as lead in these arrangements and will incur all expenditure for the service with the other Authorities making a contribution for a calculated or negotiated share of the costs. Where contributions in cash during the year are less than or exceed the final amount due a debtor / creditor is kept in the lead Authority's books to add / deduct from the next year's contribution.

### 45. Heritage Assets: Summary of Transactions

	2014/15	2015/16
	£'000	£'000
<b>Cost of acquisition of heritage assets</b>		
Heritage Land, Buildings & Infrastructure	1,056	90
Art & Museums	0	0
Furniture, Fixtures & Fittings	0	0
Other	0	12
<b>Total Cost of purchases</b>	1,056	102
<b>Revaluation of assets in the period</b>		
Heritage Land, Buildings & Infrastructure	656	0
Art & Museums	187	10
Furniture, Fixtures & Fittings	0	0
Other	0	0
<b>Total</b>	843	10
<b>Impairment recognised in the period</b>		
Heritage Land, Buildings & Infrastructure	-57	-90
Art & Museums	0	0
Furniture, Fixtures & Fittings	0	0
Other	0	0
<b>Total</b>	-57	-90
<b>Reclassification</b>		
Heritage Land, Buildings & Infrastructure	0	-10
Art & Museums	0	0
Furniture, Fixtures & Fittings	0	0
Other	0	0
<b>Total</b>	0	-10

There have been no heritage assets acquired by donation in the last two years.

## **HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT**

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

<u>2014/15</u>		<u>2015/16</u>
<u>£'000</u>		<u>Note</u> <u>£'000</u> <u>£'000</u>
	<b><u>Expenditure</u></b>	
11,847	Repairs and maintenance	12,248
12,726	Supervision and management	13,658
552	Rent, rates, taxes and other charges	555
5,843	Negative HRA subsidy payable	0
<b>2,399</b>	Depreciation and impairment of non-current assets	6 3,327
48	Debt management costs	85
327	Movement in the allowance for bad debts	330
0	HRA exit subsidy	73,580
<b>33,742</b>	<b>Total Expenditure</b>	<b>103,783</b>
	<b><u>Income</u></b>	
-50,119	Dwelling rents	-52,521
-115	Non-dwelling rents	-97
-2,658	Charges for services and facilities	-2,675
-1,030	Contributions towards expenditure	-1,007
0	HRA subsidy receivable	-18
<b>-53,922</b>	<b>Total Income</b>	<b>-56,318</b>

***The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.***

## **HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT**

<u>2014/15</u>		<u>2015/16</u>
<u>£'000</u>		<u>£'000</u>
<b><i>-20,180</i></b>	<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>47,465</b>
670	HRA services' share of Corporate and Democratic Core	718
<b><i>-19,510</i></b>	<b>Net Cost for HRA Services</b>	<b>48,183</b>
	<b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
3,062	Interest payable and similar charges	5,925
-57	Interest and investment income	-66
988	Net interest on the net defined benefit liability (asset)	875
-9,130	Capital grants and contributions receivable	-9,137
404	Income and expenditure in relation to investment properties and changes in their fair value	128
<b><i>-4,733</i></b>		<b>-2,275</b>
<b><i>-24,243</i></b>	<b>Surplus(-)/deficit for the year on HRA services</b>	<b>45,908</b>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## **MOVEMENT ON THE HRA BALANCE**

<u>2014/15</u>		<u>2015/16</u>
<u>£'000</u>		<u>£'000</u>
13,967	Balance on the HRA at the end of the previous year	17,135
<b>24,243</b>	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	-45,908
<b>-21,139</b>	Adjustments between accounting basis and funding basis under statute	44,006
<hr style="width: 100%;"/>		<hr style="width: 100%;"/>
3,104	<b>Net increase before transfers to or from reserves</b>	-1,902
64	Transfers from / to reserves	0
<hr style="width: 100%;"/>		<hr style="width: 100%;"/>
3,168	<b>Increase or (decrease) in year on the HRA</b>	-1,902
<hr style="width: 100%;"/>		<hr style="width: 100%;"/>
<b>17,135</b>	<b>Balance on the HRA at the end of the current year</b>	<b>15,233</b>
<hr style="width: 100%;"/>		<hr style="width: 100%;"/>

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

#### **Adjustments to Revenue Resources**

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:

1,066	Pension costs (transferred to (or from) the Pensions Reserve)	1,178
110	Financial instruments (transferred to the Financial Instruments Adjustment Account)	110
-26	Holiday pay (transferred to the Accumulated Absences Reserve)	183
<b>-6,327</b>	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	-5,682
0	Reversal of HRA Exit Subsidy	73,580
<hr style="width: 100%;"/>		<hr style="width: 100%;"/>
<b>-5,177</b>	<b>Total Adjustments to Revenue Resources</b>	<b>69,369</b>
<hr style="width: 100%;"/>		<hr style="width: 100%;"/>

#### **Adjustments between Revenue and Capital Resources**

-1,328	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-1,270
-14,634	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-24,093
<hr style="width: 100%;"/>		<hr style="width: 100%;"/>
<b>-15,962</b>	<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-25,363</b>
<hr style="width: 100%;"/>		<hr style="width: 100%;"/>
<b>-21,139</b>	<b>Total Adjustments</b>	<b>44,006</b>
<hr style="width: 100%;"/>		<hr style="width: 100%;"/>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. Housing Stock

As at 31st March 2016 the Authority owned a total of 13,493 properties, made up of different types of dwelling including detached houses, semi-detached houses, bungalows, low level flats, high rise accommodation and sheltered accommodation.

The change in stock numbers can be summarised as follows:

<b>31/03/2015</b>		<b>31/03/2016</b>
<b>Units</b>		<b>Units</b>
13,555	Stock at 1 <sup>st</sup> April	13,512
-43	Sales	-19
<u>13,512</u>	Stock at 31 <sup>st</sup> March	<u>13,493</u>

## 2. Rent arrears and provisions for bad debts

### Rent arrears

<b>31/03/2015</b>		<b>31/03/2016</b>
<b>£'000</b>		<b>£'000</b>
1,308	Current tenants	1,355
542	Former tenants	543
<u>1,850</u>		<u>1,898</u>

Former tenants arrears written off during 2015/16 totalled £0.331m (2014/15 £0.365m). A bad debts provision has been made in the accounts in respect of potentially uncollectable rent arrears. The value of the provision at 31st March 2016 is £1.066m (31st March 2015 £1.067m).

### Provision for bad debts

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
-1,105	Provisions as at 1st April	-1,067
365	Arrears written off during year	331
-327	Increase in provision required	-330
<u>-1,067</u>	Provisions as at 31st March	<u>-1,066</u>



## **NOTES TO THE HOUSING REVENUE ACCOUNT**

### **3. Capital expenditure**

During 2015/16 £39.642m (2014/15 £24.582m) was spent on Council Housing.

This was financed as follows:-

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
9,130	Grants – Major Repairs Allowance	9,137
0	Capital Contributions	6,412
15,452	Revenue and Balances	24,093
<b><u>24,582</u></b>		<b><u>39,642</u></b>

The capital expenditure was incurred on HRA assets as follows:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
24,582	Council dwellings	39,642

The Major Repairs Allowance was used in full in 2015/16 and 2014/15.

The Capital Expenditure on Council Housing did not increase the value of the Council properties and has been impaired during the year. This is as a result of the specific valuation method employed.

### **4. Revenue expenditure funded from capital under statute (REFCUS)**

Capital expenditure, which does not result in a non-current asset to the Authority (e.g. housing renovation grants), is classified as revenue expenditure funded from capital under statute.

No revenue expenditure funded from capital under statute was charged to the Housing Revenue Account in 2015/16 and 2014/15.

### **5. Capital receipts during the year**

Capital receipts received during the year in respect of the sale of HRA properties amounted to £1.345m (£2.20m 2014/15). Of this £0.637m (£1.56m 2014/15) was set aside for the repayment of debt and £0k (£88k 2014/15) was used to defray costs.

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

The following is a summary of the Capital Receipts Reserve as it applies to the Housing Revenue Account:-

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
7,461	Opening balance 1 <sup>st</sup> April	8,009
2,202	Receipts during the year	1,345
-1,566	Less set asides	-637
-88	Less other costs	0
0	Less used to fund HRA Capital Programme	-6,412
<u><b>8,009</b></u>	<b>Balance available as at 31st March</b>	<u><b>2,305</b></u>

Capital receipts were as follows:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
2,142	Council Houses	849
60	Land	496
0	Other	0
<u><b>2,202</b></u>		<u><b>1,345</b></u>

### **6. Depreciation charges and impairment**

The total charge for depreciation and impairment made to the HRA for 2015/16 amounted to £3.327m (2014/15 **£2.399m**) and is analysed as follows:-

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
	Depreciation on operational assets	
2,385	- dwellings	3,149
32	- other property	33
	Revaluation Losses	
-6	- dwellings	145
-12	- other property	0
<u><b>2,399</b></u>	<b>Total</b>	<u><b>3,327</b></u>

*The 2014/15 figures in bold italics have been restated due to a technical accounting adjustment regarding non-enhancing HRA expenditure. The detail of this is shown in HRA Note 9.*

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

Although depreciation is shown as a charge in calculating a surplus or deficit on the Housing Revenue Account, it does not represent the statutory amount that should be charged to the HRA in respect of capital charges. To this extent the charge is removed and replaced by a statutory calculation of interest and principal charges (the 'Item 8 determination') in arriving at the sum to be debited/credited to the Housing Revenue Account for the year.

### **7. IAS 19 – Accounting for pension costs.**

Supervision and management costs shown within the income and expenditure account includes a sum of £2.697m (2014/15 £2.524m) which is the cost calculated by the Authority's actuary as being the employers contribution required to meet the current year pension costs of HRA employees. This does not represent a statutory charge to HRA balances and is reversed out and replaced by the actual employers superannuation payments made before the final transfer to/from Housing Revenue Account balances is calculated.

### **8. Reserve Transfer**

#### **Reserve Transfer 2014/15 £64k**

A transfer of £64k was made from the capital receipts reserve to fund the cost of work administering the Right to Buy Scheme.

#### **Reserve Transfer 2015/16 £0k**

No transfer to or from capital reserves was made during 2015/16.

### **9. Prior Year Restatements**

In 2014/15 the Authority has written off non-enhancing HRA expenditure to the Capital Adjustment Account rather than the Revaluation Reserve. This is a technical accounting adjustment that has nil effect on the net expenditure and net worth of the Authority.

The 2014/15 statement of accounts has been restated as this technical accounting adjustment has an impact on all the primary statements and several disclosure notes.

# CITY & COUNTY OF SWANSEA PENSION FUND

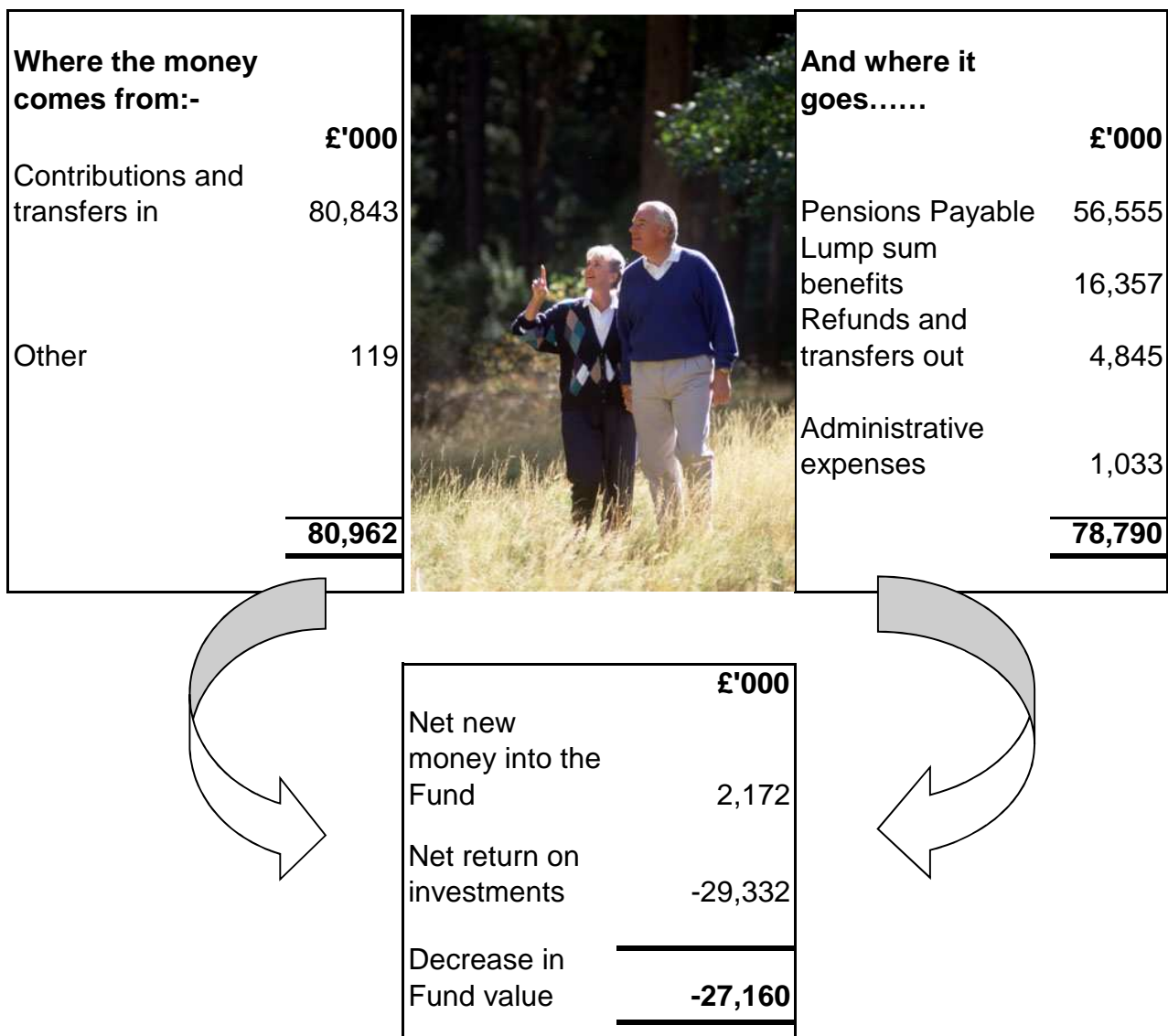
## 1. Introduction

The City & County of Swansea Pension Fund is administered by the City & County of Swansea. However it is a separate statutory fund and its assets and liabilities, income and expenditure are not consolidated into the accounts of the Authority. That is, the Pensions Fund's assets and liabilities are distinct.

The summarised accounts of the Pension Fund shown here comprise three main elements:-

- The Fund Account which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The Net Assets Statement which gives a snapshot of the financial position of the fund as at 31st March 2016.
- The Notes to The Financial Statements which are designed to provide further explanation of some of the figures in the statement and to give a further understanding of the nature of the fund.

## 2 Summary of transactions for the year



# **CITY & COUNTY OF SWANSEA PENSION FUND**

## **Section 151 Officer's Certificate**

I hereby certify that the statement of accounts on pages 147 to 186 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2016.

Mike Hawes  
Corporate Director (Resources)

# CITY & COUNTY OF SWANSEA PENSION FUND

## Fund Account For The Year Ended 31st March

2014/15 £'000	Contributions and benefits	Notes	2015/16 £'000      £'000	
Contributions receivable :				
63,647	Employers contribution	3	61,743	
16,859	Members contribution	3	16,649	78,392
2,748	Transfers in	4		2,451
91	Other income	5		119
<u>83,345</u>				<u>80,962</u>
Benefits payable :				
-53,452	Pensions payable	6	-56,555	
-20,460	Lump sum benefits	6	-16,357	-72,912
Payments to and on account of leavers :				
-116	Refunds of contributions	7	-127	
-2,587	Transfers out	7	-4,718	-4,845
-991	Administrative expenses	8		-1,033
<u>5,739</u>	<b>Net additions from dealing with members</b>			<u>2,172</u>
<b>Returns on investments</b>				
24,444	Investment income	9		26,214
132,522	Change in market value of investments	12		-50,884
-7,558	Investment management expenses	8		-4,662
<u>149,408</u>	<b>Net returns on investments</b>			<u>-29,332</u>
<u>155,147</u>	<b>Net decrease in the fund during the year</b>			<u>-27,160</u>
	1,384,642 Opening Net Assets of the Fund			1,539,789
	<b>1,539,789 Closing Net Assets of the Fund</b>			<b>1,512,629</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## Net Assets Statement As At 31 March

31st March 2015		31st March 2016
£'000	Notes	£'000
<b>Investments at market value:</b>		
1,484,960 Investment Assets	11	1,445,832
18,128 Cash Funds	12	99
22,512 Cash Deposits	12	62,783
2,527 Other Investment Balances - Dividends Due	12	3,137
<b>1,528,127 Sub Total</b>		<b>1,511,851</b>
18,591 Current Assets	16	6,592
-6,929 Current Liabilities	16	-5,814
<b><u>1,539,789</u> Net assets</b>		<b><u>1,512,629</u></b>

The financial statements on pages 147 to 182 summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee. The financial statements do not take account of liabilities and other benefits which fall due after the period end. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in Note 18 of this statement, and these accounts should be read in conjunction with this information.

## Notes to the Financial Statements

### 1. Basis of preparation

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

The financial statements do not take account of liabilities and other benefits which fall due after the period end.

### 2. Accounting Policies

The following principal accounting policies, which have been applied consistently (except as noted below), have been adopted in the preparation of the financial statements:

#### (a) Contributions

Normal contributions, both from the employees and from the employer, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Early Access contributions from the employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received. Under current rules, employers can exercise discretion to give access to a person's pension rights early (other than for ill health). Where this is done, the additional pension costs arising are recharged to the relevant employer and do not fall as a cost to the fund. Under local agreements some Employers have exercised the right to make these repayments over three years incurring the relevant interest costs. As a result total income is recognised in the Fund Account with amounts outstanding from Employers within debtors.

Other Contributions relate to additional pension contributions paid in order to purchase additional pension benefits.

#### (b) Benefits

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the fund as appropriate.

#### (c) Transfers to and from other Schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the fund. They are accounted for on a cash basis, or where Trustees have agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

#### (d) Investments

- i) The net assets statement includes all assets and liabilities of the fund at the 31st March.



## 2. Accounting Policies (continued)

- ii) Listed investments are included at the quoted bid price as at 31st March.
- iii) Investments held in pooled investment vehicles are valued at the closing bid price at 31st March if both bid and offer price are published; or, if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.
- iv) Unquoted securities are valued by the relevant investment managers based on the Fund's share of the net assets or a single price advised by the Fund Manager, in accordance with generally accepted guidelines.
- v) Unit trusts are valued at the Managers' bid prices at 31st March.
- vi) Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income.
- viii) Transaction costs are included in the cost of purchases and sales proceeds.
- ix) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.
- x) Property Funds/Unit Trusts are valued at the bid market price, which is based upon regular independent valuation of the underlying property holdings of the Fund/Unit Trust.

### e) Financial Instruments

Pension Fund assets have been assessed as fair value through profit and loss in line with IAS19.

### f) Cash and Cash Funds

Cash comprises cash in hand and cash deposits. Cash funds are highly liquid investments held with Investment Managers.

### g) Investment Income

Investment income and interest received are accounted for on an accruals basis. When an investment is valued ex dividend, the dividend is included in the Fund account. Distributions from pooled investment vehicles are automatically reinvested in the relevant fund.

# **CITY & COUNTY OF SWANSEA PENSION FUND**

## **2. Accounting Policies (continued)**

### **h) Assumptions made about the future and other major sources of estimation uncertainty**

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

- Actuarial present value of promised retirement benefits

### **i) Critical judgements in applying accounting policies**

The funds liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary. The estimate is subject to significant variances based on changes to the underlying assumptions.

### **j) Other**

Other expenses, assets and liabilities are accounted for on an accruals basis.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 3. Analysis of Contributions

Total Contributions		Total Contributions
2014/15 £'000		2015/16 £'000
<b><u>Administering Authority</u></b>		
<b><u>44,048</u></b>	City & County of Swansea	<b><u>43,983</u></b>
<b><u>Admitted Bodies</u></b>		
397	Celtic Community Leisure	378
12	Colin Laver Heating Limited	9
20	Swansea Bay Racial Equality Council	18
109	Wales National Pool	111
77	Capgemini	25
2,427	NPT Homes	2,614
1	Phoenix Trust	0
1,320	Grwp Gwalia	895
0	Rathbone Training Ltd (CCS)	23
0	Rathbone Training Ltd (Gower College)	36
<b><u>4,363</u></b>	<b>Total Admitted Bodies</b>	<b><u>4,109</u></b>
<b><u>Scheduled Bodies</u></b>		
7	Cilybebyll Community Council	7
17	Coedffranc Community Council	17
1,696	Gower College	1,662
1,764	NPTC Group	1,735
66	Neath Town Council	68
26,901	Neath Port Talbot County Borough Council	25,001
26	Margam Joint Crematorium Committee	27
5	Pelenna Community Council	5
15	Pontardawe Town Council	15
40	Swansea Bay Port Health Authority	40
1,558	University of Wales Trinity St Davids	1,723
<b><u>32,095</u></b>	<b>Total Scheduled Bodies</b>	<b><u>30,300</u></b>
<b><u>80,506</u></b>	<b>Total Contributions Receivable</b>	<b><u>78,392</u></b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 3. Analysis of Contributions (continued)

Total Employer/Employee contributions comprise of:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
	Employers	
58,258	Normal	58,800
4	Other	0
5,385	Early Access	2,943
<u>63,647</u>	<b>Total</b>	<u>61,743</u>
	Employees	
16,824	Normal	16,612
35	Other	37
<u>16,859</u>	<b>Total</b>	<u>16,649</u>
<u>80,506</u>	<b>Total Contributions Receivable</b>	<u>78,392</u>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 4. Transfers In

Transfers in comprise of:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
1,060	Group transfers from other schemes *	65
1,688	Individual transfers from other schemes	2,386
<u><b>2,748</b></u>	<b>Total</b>	<u><b>2,451</b></u>

\* Group Transfers from other schemes is in respect of Coleg Powys, who have merged with Neath Port Talbot College (a scheduled body within this Scheme) with effect from 1st August 2013, to form Neath Port Talbot College Group. A total of £10m was received in year as an interim payment, a debtor of £65k has been included in 15/16 which is an estimate of the outstanding balance.

## 5. Other Income

Other income comprise of:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
82	Bank Interest	127
9	Early Access - Interest	-8
<u><b>91</b></u>	<b>Total</b>	<u><b>119</b></u>

## 6. Benefits Payable

By category

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
53,452	Pensions	56,555
19,106	Commutation and lump sum retirement benefits	14,165
1,354	Lump sum death benefits	2,192
<u><b>73,912</b></u>	<b>Total</b>	<u><b>72,912</b></u>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 7. Payments to and on account of leavers

Transfers out and refunds comprise of:

2014/15		2015/16
£'000		£'000
116	Refunds to members leaving service	127
2,587	Individual transfers to other schemes	4,718
<b>2,703</b>	<b>Total</b>	<b>4,845</b>
<b>2,703</b>		<b>4,845</b>

## 8. Administrative and Investment Management Expenses

All administrative and investment management expenses are borne by the Fund:

2014/15		2015/16
£'000		£'000
<b>Adminstrative Expenses</b>		
661	Support Services & Employee Costs	684
10	Actuarial Fees	18
43	Advisors Fees	43
48	External Audit Fees	50
26	Performance Monitoring Services Fees	26
24	Printing & Publications	30
175	Other	168
4	Pension Fund Committee	9
0	Pension Board	5
<b>991</b>		<b>1,033</b>
<b>991</b>		<b>1,033</b>
<b>Investment Management Expenses</b>		
4,335	* Management Fees	4,117
1,668	Performance Fees	437
121	Custody Fees	108
<b>6,124</b>		<b>4,662</b>
<b>6,124</b>		<b>4,662</b>
<b>7,115</b>	<b>Total</b>	<b>5,695</b>
<b>7,115</b>		<b>5,695</b>

\* Investment Management Expenses has been restated to reflect an amendment to the 2014/15 fees.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 9. Investment Income

2014/15	2015/16
£'000	£'000
11,736 U.K. Equities	13,301
7,695 Overseas Equities	8,066
3,528 Managed Fund - Fixed Interest	3,909
1,434 Pooled Investment vehicles - Property Fund	936
48 Pooled Investment vehicles - Private Equity	0
0 Pooled Investment vehicles - Infrastructure	0
3 Interest	2
<b><u>24,444</u> Total</b>	<b><u>26,214</u></b>

The assets under management by Legal and General are managed wholly in a pooled investment vehicle. The pooled investment vehicles are a combination of equity, bond and money market unit funds which operate on an 'accumulation' basis, i.e. all dividends and investment income are automatically reinvested back into their relevant funds and not distributed as investment income. Therefore, the fund value and change in market value on these funds will reflect both capital appreciation / depreciation plus reinvested investment income.

## 10. Taxation

### a) United Kingdom

The Fund is exempt from Income Tax on interest and dividends and from Capital Gains Tax but now has to bear the UK tax on other income. The fund is reimbursed V.A.T. by H.M. Revenue and Customs and the accounts are shown exclusive of V.A.T.

### b) Overseas

The majority of investment income from overseas suffers a withholding tax in the country of origin.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 11. Investment Assets

	31st March 2015			31st March 2016		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
<b>Equities</b>						
Quoted	363,504	359,488	722,992	342,618	344,274	686,892
<b>Pooled investment vehicles</b>						
Managed Funds:						
Quoted:						
Equity	0	14,424	14,424	0	13,386	13,386
Fixed Interest	0	111,608	111,608	0	113,351	113,351
Unquoted:						
Equity	128,442	234,906	363,348	122,374	235,026	357,400
Fixed Interest	57,746	14,814	72,560	56,862	15,412	72,274
Index-linked	26,518	0	26,518	26,923	0	26,923
Property Unit Trust	5,661	0	5,661	13,204	0	13,204
Property Fund	35,184	34,555	69,739	34,956	36,524	71,480
Hedge Fund	0	51,522	51,522	0	48,494	48,494
Global Tactical Asset Allocation	0	15,426	15,426	0	0	0
Private Equity	0	31,162	31,162	0	42,428	42,428
Infrastructure	0	0	0	0	0	0
<b>Total pooled investment vehicles</b>	<b>253,551</b>	<b>508,417</b>	<b>761,968</b>	<b>254,319</b>	<b>504,621</b>	<b>758,940</b>
<b>Total equities and pooled investment vehicles</b>	<b>617,055</b>	<b>867,905</b>	<b>1,484,960</b>	<b>596,937</b>	<b>848,895</b>	<b>1,445,832</b>
Cash Funds			18,128			99
Cash			22,512			62,783
Other Investment Balances Due			2,527			3,137
<b>Total</b>			<b>1,528,127</b>			<b>1,511,851</b>



# CITY & COUNTY OF SWANSEA PENSION FUND

## 11. Investment Assets (continued)

An analysis of investment assets based on the class of investment is shown below :

<b>31st March 2015 £'000 Investment assets</b>		<b>31st March 2016 £'000</b>
184,168	Fixed interest	185,625
26,518	Index linked securities	26,923
491,946	U.K. equities	464,992
608,818	Overseas Equities	592,686
75,400	Property	84,684
51,522	Hedge Funds	48,494
31,162	Private Equity	42,428
15,426	Global Tactical Asset Allocation (GTAA)	0
0	Infrastructure	0
<b><u>1,484,960</u></b>	<b>Total investment assets</b>	<b><u>1,445,832</u></b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 12. Reconciliation of movements in investments

	Value at 31st March 2015	Purchases	Sales	Change in Market Value	Value at 31st March 2016
	£'000	£'000	£'000	£'000	£'000
<b>Equities</b>					
Aberdeen	109,174	19,294	-19,154	-9,039	100,275
JPM	268,745	175,546	-169,365	-12,386	262,540
Schroders	359,497	68,356	-56,347	-34,043	337,463
L&G	363,348	14,246	-12,870	-7,324	357,400
	<u>1,100,764</u>	<u>277,442</u>	<u>-257,736</u>	<u>-62,792</u>	<u>1,057,678</u>
<b>Property</b>					
<b>UK</b>					
Schroders	40,845	10,104	-3,163	374	48,160
Partners	23,399	1,518	-3,438	2,427	23,906
Invesco	11,156	0	-470	1,932	12,618
	<u>75,400</u>	<u>11,622</u>	<u>-7,071</u>	<u>4,733</u>	<u>84,684</u>
<b>Fixed Interest</b>					
<b>Fixed Interest</b>					
L&G	72,560	3,175	-6,558	3,097	72,274
Goldman	111,608	3,909	0	-2,166	113,351
	<u>184,168</u>	<u>7,084</u>	<u>-6,558</u>	<u>931</u>	<u>185,625</u>
<b>Index-Linked</b>					
L&G	26,518	140	-220	485	26,923
	<u>26,518</u>	<u>140</u>	<u>-220</u>	<u>485</u>	<u>26,923</u>
<b>Hedge Funds</b>					
BlackRock	26,630	0	-284	-613	25,733
Fauchier	24,892	0	-219	-1,912	22,761
	<u>51,522</u>	<u>0</u>	<u>-503</u>	<u>-2,525</u>	<u>48,494</u>
<b>Private Equity</b>					
HarbourVest	31,162	12,491	-7,414	6,189	42,428
	<u>31,162</u>	<u>12,491</u>	<u>-7,414</u>	<u>6,189</u>	<u>42,428</u>
<b>Global Tactical Asset Allocation</b>					
BlackRock	15,426	0	-14919	-507	0
	<u>15,426</u>	<u>0</u>	<u>-14919</u>	<u>-507</u>	<u>0</u>
<b>Infrastructure</b>					
Hastings	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cash funds</b>					
L&G	15,089	870	-16,021	62	0
Schroders	3,039	0	-5,480	2,540	99
	<u>18,128</u>	<u>870</u>	<u>-21,501</u>	<u>2,602</u>	<u>99</u>
<b>Total</b>	<u>1,503,088</u>	<u>309,649</u>	<u>-315,922</u>	<u>-50,884</u>	<u>1,445,931</u>
<b>Cash</b>	<b>22,512</b>				62,783
<b>Other Investment Balances -</b>					
<b>Dividends Due</b>	<u>2,527</u>				3,137
<b>TOTAL</b>	<u>1,528,127</u>			<u>-50,884</u>	<u>1,511,851</u>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 12. Reconciliation of movements in investments (continued)

Transaction costs are included in the cost of purchase and sales proceeds. Identifiable transaction costs incurred in the year relating to segregated investments amounted to £180k (2014/15: £233k). Costs are also incurred by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

## 13. Concentration of Investments

The following investments represented 5% or more of the Fund's net assets at 31st March 2016:

	Value as at the 31st March 2015 £'000	Proportion of Net Asset %	Value as at the 31st March 2016 £'000	Proportion of Net Asset %
L&G UK Equity Index	128,442	8.4	122,374	8.1
Goldman Sachs Global Libor Plus II	111,608	7.3	113,351	7.5
L&G North America Equity Index	96,721	6.3	108,446	7.2

## 14. Realised Profit on the Sale of Investments

2014/15 £'000	2015/16 £'000
12,266 U.K. Equities	-3,917
20,755 Overseas Equities	2,377
906 Property Fund	946
0 Cash Fund	11
<b><u>33,927</u> Net Profit</b>	<b><u>-583</u></b>

## 15. Fixed Interest and Index Linked Investments

The fixed interest and index-linked investments are comprised of:

31st March 2015 £'000	31st March 2016 £'000
121,764 UK Public Sector	112,350
88,922 Other	100,198
<b><u>210,686</u></b>	<b><u>212,548</u></b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 16. Current Assets and Liabilities

The amounts shown in the statement of Net Assets are comprised of:

<b>31st March</b>		<b>31st March</b>
<b>2015</b>		<b>2016</b>
<b>£'000</b>		<b>£'000</b>
<b>Current Assets</b>		
654	Contributions - Employees	603
2,167	Contributions - Employers	2,084
4,168	Early Access Contributions Debtor	2,143
10,349	Transfer Values	306
1,253	Other	1,456
<b>18,591</b>		<b>6,592</b>
<b>Current Liabilities</b>		
-956	Investment Management Expenses	-930
-3,428	Commutation and lump sum retirement benefits	-2,493
-436	Lump sum death benefits	-427
-530	Transfers to Other Schemes	-328
-577	Payroll Deductions - Tax	-602
-620	Payable Control List	-695
-382	Other	-339
<b>-6,929</b>		<b>-5,814</b>
<b>11,662</b>	<b>Net</b>	<b>778</b>

Analysed as:

<b>31st March</b>		<b>31st March</b>
<b>2015</b>		<b>2016</b>
<b>£'000</b>		<b>£'000</b>
<b>Current Assets</b>		
1,386	Central Government Bodies	573
16,105	Other Local Authorities	5,310
1,100	Other Entities and Individuals	709
<b>18,591</b>		<b>6,592</b>
<b>Current Liabilities</b>		
-33	Central Government Bodies	-48
-1,209	Other Local Authorities	-1,490
-5,687	Other Entities and Individuals	-4,276
<b>-6,929</b>		<b>-5,814</b>
<b>11,662</b>	<b>Net</b>	<b>778</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 16. Current Assets & Liabilities (continued)

### Early Access Debtor

	Instalment Due 2016/17 £'000	Instalment Due 2017/18 £'000	Instalment Due 2018/19 £'000	Instalment Due 2019/20 £'000	Total £'000
Early Access Principal Debtor	2,226	90	21	0	2,337
Early Access Interest Debtor	7	7	2	0	16
<b>Total (Gross)</b>	<b>2,233</b>	<b>97</b>	<b>23</b>	<b>0</b>	<b>2,353</b>

## 17. Capital and Contractual Commitments

As at 31st March 2016 the Scheme was committed to providing funding to appointed managers investing in unquoted securities. These commitments amounted to £81.0m (2014/15 : £38.7m).

# CITY & COUNTY OF SWANSEA PENSION FUND

## 18. Statement of the Actuary for the year ended 31 March 2016

### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City & County of Swansea Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

### Actuarial Position

1 The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £1,227.6M) covering 81% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

2 The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 was:

- 16.2% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

#### Plus

- 5.7% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 25 years from 1 April 2014, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 3.9% p.a.

3 In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4 The funding plan adopted in assessing the contributions for each individual employer was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.

5 The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 18. Statement of the Actuary for the year ended 31 March 2016 (continued)

### Discount rate for periods in service

Scheduled and subsumption bodies	5.6% a year
Orphan bodies	5.2% p.a

### Discount rate for periods after leaving service

Scheduled and subsumption bodies	5.6%p.a.
Orphan bodies	3.9%p.a.
Rate of pay increases	3.9% p.a.
Rate of increases to pension accounts	2.4% p.a.
Rate of increase in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

The actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.

8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, the City and County of Swansea, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as at 31 March 2013 is available from the Fund's website at the following address:

<http://www.swanseapensionfund.org.uk/wp-content/uploads/2012/01Swansea-valuation-report-310313.pdf>

Aon Hewitt Limited  
June 2016

## 18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2016 (continued)

CIPFA's Code of Practice also requires the actuarial present value of the promised retirement benefits to be disclosed based on IAS26 and using assumptions relevant to IAS19 and not the funding assumptions above. The actuarial present value of the promised retirement benefits on this basis as at 31st March 2013 is £1,936.8m (31st March 2010 £1,819.4m), which compares the market value of the assets at that date of £1,277.6m (31st March 2010 £1,016.8m).

### Definitions

#### Admission Body

An employer admitted to the Fund under an admission agreement.

#### Orphan Body

This is an admission body or other employer whose participation in the Fund may cease at some future point in time, after which it is expected that the Administering Authority will have no access to future contributions in respect of the employer's liabilities in the Fund once any liability on cessation has been paid.

#### Scheduled Body

Employers which participate in the Fund under Schedule 2 of the Administration Regulations.

#### Subsumption and subsumption body

When an admission body or other employer ceases participation in the Fund, so that it has no employees contributing to the Fund and once any contribution on cessation as required by the regulations has been paid, the Fund will normally be unable to obtain further contributions from that employer (eg if future investment returns are less than assumed). It is however possible for another long term employer in the Fund (generally a scheduled body) to agree to be a source of future funding should any funding shortfalls emerge on the original employer's liabilities. The long term employer effectively subsumes the assets and liabilities of the ceasing employer into its own assets and liabilities. In this document this is known as subsumption. In this document the admission body or other employer being subsumed is referred to as a subsumption body and its liabilities are known as subsumed liabilities.



## **CITY & COUNTY OF SWANSEA PENSION FUND**

### **18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2016 (continued)**

#### **Certificate of the Actuary Regarding the Contributions Payable by the Employing Authorities in 2015/16**

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (the "Administration Regulations"), we certify that contributions should be paid by Employers at the following rates for the period 1st April 2014 to 31st March 2017.

- i) A common rate of 16.2% of Pensionable Pay.
  
- ii) Individual adjustments which, when added to or subtracted from the common rate, produce the following Employer contribution rates:

## CITY & COUNTY OF SWANSEA PENSION FUND

### 18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2016 (continued)

Employer	Year Commencing 1 April		
	2014 % Pensionable Pay	2015 % Pensionable Pay	2016 % Pensionable Pay
<b>Scheduled bodies</b>			
City & County of Swansea	22.4	22.4	22.4
Neath Port Talbot County Borough	22.5	23.0	24.0
Pontardawe Town Council	19.7	19.7	19.7
Cilybebyll Community Council	20.5	20.5	20.5
Pelenna Community Council	21.9	23.6	25.3
Swansea Bay Port Health Authority	22.4	22.4	22.4
Neath Port Talbot Homes	16.2	16.2	16.2
Grwp Gwalia Cyf	20.4	20.4	20.4
Colin Laver Heating Limited	19.7	19.7	19.7
Swansea Bay Racial Equality Council	27.2	30.8	34.3
Celtic Community Leisure	11.1	11.1	11.1
Wales National Pool	14.5	14.5	14.5
Cap Gemini	18.7	18.7	18.7

Employer	Contribution rate 1 April 2014 to 31 March 2017 % Pensionable Pay	Additional monetary amount Year commencing 1 April		
		2014 £	2015 £	2016 £
<b>Scheduled bodies</b>				
Margam Joint Crematorium Committee	19.2	4,600	4,800	5,000
Coedffranc Community Council	19.2	3,700	3,850	4,000
Neath Town Council	19.2	15,100	15,700	16,300
Gower College	15.4	164,400	170,800	177,500
NPTC Group	14.7	151,900	157,800	164,000
<b>Admission bodies</b>				
Trinity St Davids	22.4	225,000	450,000	481,000

The contributions shown above represent the minimum contributions to be paid by each Employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Where payments due from an Employer are expressed as monetary amounts, the amounts payable by that Employer should be adjusted to take account of any amounts payable, in respect of surplus or shortfall to which those monetary payments relate, by new employers created after the valuation date which have been credited with proportions of the assets and liabilities of the relevant Employer. Any adjustment should be as advised by the Fund Actuary.

Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38 of the 2013 Regulations, payable over a period of up to three years and Employers will be notified of such contributions separately by the Administering Authority.

The contributions rates for the City & County of Swansea and for Neath Port Talbot County Borough Council have been set as a percentage of pay. However, minimum monetary contribution amounts for these employers have been agreed with the Administering Authority and if the contributions actually received fall below this minimum level additional payments will be required.

Contribution rates for Employers commencing participation in the Fund after 31 March 2013 will be advised separately.

## **19. Related party transactions**

£684k (£661k 2014/15) was paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Legal Services during the year.

Contributions received from admitted and scheduled bodies as detailed on page 154.

The City & County of Swansea acts as administering Authority for the City and County of Swansea Pension Fund (formerly the West Glamorgan Pension Fund).

Transactions between the Authority and the Pension Fund mainly comprise the payment to the Pension Fund of employee and employer payroll superannuation deductions, together with payments in respect of enhanced pensions granted by Former Authorities.

The Pension Fund currently has 34 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a panel. The panel is advised by two independent advisors.

### **Governance**

There are 7 councillor members of the pension committee who are active members in the City & County of Swansea Pension Fund. The benefit entitlement for the Councillors is accrued under the same principles that apply to all other members of the Fund.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 20. Additional Voluntary Contributions

Some members of the Fund pay voluntary contributions to the fund's AVC providers, The Prudential, to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. Some members also still invest and have funds invested with the legacy AVC providers, Equitable Life and Aegon.

The Pension Fund accounts do not include the assets held by The Prudential, Equitable Life or Aegon. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only.

AVC Provider	Value of Funds at 1st April 2015	Purchases at Cost (Contributions In/Out)	Sale Proceeds	Change in Market Value	Value of Funds at 31st March 2016
	£'000	£'000	£'000	£'000	£'000
Prudential	3,217	1,653	-674	29	4,225
Aegon	1,351	51	-163	-15	1,224
Equitable Life	347	2	-58	5	296
<b>Totals</b>	<b>4,915</b>	<b>1,706</b>	<b>-895</b>	<b>19</b>	<b>5,745</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 21. Membership

The Pension Fund covers City & County of Swansea employees (except for teachers, for whom separate pension arrangements apply), and other bodies included in the schedule.

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2016 there were 17,469 contributors, 11,745 pensioners and 11,226 deferred pensioners.

<b>Membership statistics</b>	<b>31st March 2012</b>	<b>31st March 2013</b>	<b>31st March 2014</b>	<b>31st March 2015</b>	<b>31st March 2016</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Contributors	14,179	14,586	15,576	16,285	17,469
Pensioners	10,027	10,432	10,833	11,261	11,745
Deferred Pensioners	8,204	8,815	9,663	9,801	11,226
<b>Total</b>	<b>32,410</b>	<b>33,833</b>	<b>36,072</b>	<b>37,347</b>	<b>40,440</b>

See Appendix 1 for current year analysis

## 22. Fair Value of Investments

### Financial Instruments

The Fund invests mainly through pooled vehicles with the exception of three segregated equity mandates. The managers of these pooled vehicles invest in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings and unlisted equity and also monitor credit and counterparty risk, liquidity risk and market risk.

### Financial Instruments - Gains & Losses

Gains and losses on financial instruments have been disclosed within note 9, 12 and 14 of the pension fund accounts.

### Fair Value – Hierarchy

The fair value hierarchy introduced as part of the new accounting Code under IFRS7 requires categorisation of assets based upon 3 levels of asset valuation inputs -

- Level 1 - quoted prices for similar instruments.
- Level 2 - directly observable market inputs other than Level 1 inputs.
- Level 3 - inputs not based on observable market data.

The table on the following page shows the position of the Fund's assets at 31st March 2015 and 2016 based upon this hierarchy:

# CITY & COUNTY OF SWANSEA PENSION FUND

## 22. Fair Value of Investments (continued)

### FAIR VALUE - HIERARCHY

	31 March 2015			31 March 2016			
	Market Value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>Equities</b>							
UK Equities	363,504	363,504	-	-	342,618	-	-
Overseas Equities	359,488	359,488	-	-	344,274	-	-
<b>Pooled Investment Vehicles</b>							
Fixed-Interest Funds							
UK Equity	111,608	111,608	-	-	113,351	-	-
Overseas Equity	128,442	-	-	128,442	-	-	122,374
Fixed Interest	249,330	14,424	-	234,906	13,386	-	235,028
Index-linked	72,560	-	-	72,560	-	-	72,274
Property Unit Trust	26,518	-	-	26,518	-	-	26,923
Property Fund	5,661	-	-	5,661	-	-	13,204
Hedge Fund	69,739	-	-	69,739	-	-	71,480
Global Tactical Asset Allocation	51,522	-	-	51,522	-	-	48,494
Private Equity	15,426	-	-	15,426	-	-	-
Infrastructure	31,162	-	-	31,162	-	-	42,428
Cash	40,640	40,640	-	-	62,882	-	-
Other Investment Balances -							
Dividends Due	2,527	2,527	-	-	3,137	-	-
<b>Total</b>	<b>1,528,127</b>	<b>892,191</b>	-	<b>635,936</b>	<b>879,648</b>	-	<b>632,203</b>

## 23. INVESTMENT RISKS

As demonstrated above, the Fund maintains positions indirectly via its investment managers in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings, unlisted equity products, commodity futures and other derivatives. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

### Procedures for Managing Risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Statement of Investment Principles (SIP) and corresponding Funding Strategy Statement (FSS), which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

The Fund continues to review its structure. A key element in this review process is the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore, alternative assets are subject to their own diversification requirements and some examples are given below.

- Private equity - by stage, geography and vintage where funds of funds are not used
- Property - by type, risk profile, geography and vintage (on closed ended funds)
- Hedge funds – multi-strategy and or funds of funds

### Manager Risk

The Fund is also well diversified by managers with no single active manager managing more than 25% of Fund assets. On appointment, fund managers are delegated the power to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. Some private equity and property investment is fund, rather than manager-specific, with specific funds identified by the investment sub group after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

## 23. INVESTMENT RISKS (continued)

### Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above almost all the Fund's investments are through pooled vehicles and a number of these are involved in derivative trades of various sorts including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties. However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk.

There has been no historical experience of default on the investments held by the Pension Fund.

Within the Fund, the areas of focus in terms of credit risk are bonds and some of the alternative asset categories.

- The Fund's active fixed-interest bond portfolio £113,351k is managed (by Goldman Sachs) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2016, the Fund's exposure to non-investment grade paper was 9.6% of the actively managed fixed income portfolio.
- On private equity the Fund's investments are almost entirely in the equity of the companies concerned. The Fund's private equity investments of £42,428K are managed by Harbourvest in a fund of funds portfolio.

On hedge fund of funds and multi-strategy vehicles, underlying managers have in place a broad range of derivatives. The Fund's exposure to hedge funds through its managers at 31st March 2016 is set out below with their relative exposure to credit risk.

	<b>March 2016</b>	<b>Credit Exposure</b>
	<b>£'000</b>	
Permal	22,761	15.3%
Blackrock	25,733	23.2%

The Pension Fund has its own bank accounts. At its simplest, liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, especially pension payments to its members. At a strategic level the Administering Authority, together with its consulting actuary, reviews the position of the Fund triennially to ensure that all its obligations can be suitably covered.



# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

Ongoing cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions is also essential. This is in place with the Fund's position updated regularly.

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 84.1% of the Fund's value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at least – often weekly or fortnightly.

On alternative assets the position is more mixed. Most are subject to their own liquidity terms or, in the case of property, redemption rules. Closed-ended funds such as most private equity vehicles and some property funds are effectively illiquid for the specific period (usually 10 years), although they can be sold on the secondary market, usually at a discount.

The table below analyses the value of the Fund's investments at 31st March 2016 by liquidity profile.

	Amounts at 31st March 2016 £000s	Within 1 month £000s	1-3 months £000s	4-12 months £000s	> 1 Year £000s
<b>Equities</b>					
UK Equities	342,618	342,618	0	0	0
Overseas Equities	344,274	344,274	0	0	0
<b>Pooled Investment Vehicles</b>					
Fixed-Interest Funds	113,351	113,351	0	0	0
UK Equity	122,374	122,374	0	0	0
Overseas Equity	248,412	248,412	0	0	0
Fixed Interest	72,274	72,274	0	0	0
Index-linked	26,923	26,923	0	0	0
Property Unit Trust	13,204	0	0	13,204	0
Property Fund	71,480	0	0	34,956	36,524
Hedge Fund	48,494	0	0	48,494	0
Global Tactical Asset Allocation	0	0	0	0	0
Private Equity	42,428	0	0	0	42,428
Infrastructure	0	0	0	0	0
Deposits with banks and other financial institutions	62,882	62,882	0	0	0
Other Investment Balances - Dividends Due	3,137	3,137	0	0	0
<b>Total</b>	<b>1,511,851</b>	<b>1,336,245</b>	<b>0</b>	<b>96,654</b>	<b>78,952</b>

## 23. INVESTMENT RISKS (continued)

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses some pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach has been applied and all such investments have been designated "within 4-12 months".

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4). In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 2000 to 2013.

This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation. As can be seen from the table, even using the conservative basis outlined above, around 88% of the portfolio is realisable within 1 month and 95% is realisable within 12 months.

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

- The risks associated with volatility in the performance of the asset class itself (beta);
- The risks associated with the ability of managers, where allowed, to move away from index weights and to generate alpha, thereby offsetting beta risks by exceeding market performance.

The table on the following page sets out an analysis of the Fund's market risk positions at 31 March 2015 by showing the percentage invested in each asset class and through each manager within each main asset class, the index used as a benchmark and the target set for managers against this benchmark.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

Asset Class	Asset Allocation	Fund Manager		Benchmark	Performance target
		Passive	Active		
UK Equities	34% +/- 5%	14% L&G	20% Schroders	FTSE allshare	+3% p.a. over rolling 3 year
Overseas Equities	34% +/- 5%	13% L&G	21% JP Morgan & Aberdeen Aberdeen	MSCI World all share (ex UK) MSCI Frontier Markets Index	+3% p.a. over rolling 3year +% p.a. over rolling 3year
Global Fixed Interest	15% +/- 5%	6% L&G	9% Goldman Sachs	Libor	LIBOR +3%
Property	5% +/- 5%	-	5% Schroders, Partners & Invesco	IPD UK Pooled Property Fund Index	+ 1% p.a. over rolling 3 year, 8% absolute return
Hedge Funds	5% +/- 5%	-	5% Blackrock & Permal (formerly Fauchier)	LIBOR	+4%
Private Equity	3% +/- 5%	-	3% Harbourvest	FTSE allshare	+3% p.a. over 3 year rolling
Infrastructure	2% +/- 5%	-	2% Hastings	10% per Annum Absolute	10% per Annum Absolute
Cash	2% +/- 5%	-	2% In house and cash flows of fund managers	7day LIBID	=
<b>TOTAL</b>	<b>100%</b>	<b>33%</b>	<b>67%</b>		

The risks associated with volatility in market values are managed mainly through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's SIP summarised above) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation, is designed to diversify and minimise risk. Market risk is also managed through manager diversification – constructing a diversified portfolio across multiple investment managers. On a daily basis, managers will manage risk in line with the benchmarks, targets and risk parameters set for the mandate, as well as their own policies and processes. The Fund itself monitors managers on a regular basis (at least quarterly) on all these aspects.

Due to volatility in the equity markets, there was an imbalance of 0.24% over allocation to overseas equities as at 31st March 2016.

Permanent rebalancing will be considered in light of market reversion and inherent cost of rebalancing.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

### Price Risk

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

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible. Had the market price of the fund investments increased/decreased in line with the potential market movements, the change in the net assets available to pay benefits in the market price as at 31 March 2016 would have been as follows:

#### Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	464,992	10.86%	515,490	414,494
Overseas Equities	592,686	9.91%	651,421	533,951
Total Bonds & Index-Linked	212,548	2.63%	218,138	206,958
Cash	62,882	0.01%	62,888	62,876
Property	84,684	3.22%	87,411	81,957
Alternatives	90,922	4.12%	94,668	87,176
Other Investment Balances	3,137	0.00%	3,137	3,137
<b>Total Assets*</b>	<b>1,511,851</b>	<b>6.96%</b>	<b>1,617,034</b>	<b>1,406,668</b>

*\*The % change for Total Assets includes the impact of correlation across asset classes*

and as at 31st March 2015 :

#### Price Risk

Asset Type	Value (£)	% Change	Value on Increase	Value on Decrease
UK Equities	491,946	10.52%	543,699	440,193
Overseas Equities	608,818	9.35%	665,742	551,894
Bonds & Index-Linked	210,686	2.67%	216,311	205,061
Cash	40,640	0.01%	40,644	40,636
Property	75,400	3.00%	77,662	73,138
Alternatives	98,110	4.06%	102,093	94,127
Other Investment Balances	2,527	0.00%	2,527	2,527
<b>Total Assets</b>	<b>1,528,127</b>	<b>6.64%</b>	<b>1,629,595</b>	<b>1,426,659</b>

*The % change for Total Assets includes the impact of correlation across asset classes*

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

### Currency Risk

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

In consultation with the fund's investment advisors, the council has determined that the following movements in currencies are reasonably possible. The following represents a sensitivity analysis associated with foreign exchange movements as at 31 March 2016:

#### Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	5,656	9.26%	6,180	5,132
Brazilian Real	4,458	13.89%	5,077	3,839
Canadian Dollar	8,749	7.89%	9,439	8,059
Danish Krone	2,099	6.83%	2,242	1,956
EURO	90,569	6.77%	96,701	84,437
Hong Kong Dollar	9,619	7.67%	10,357	8,881
Indian Rupee	3,315	10.28%	3,656	2,974
Indonesian Rupiah	1,841	12.46%	2,070	1,612
Israeli Shekel	2,644	6.58%	2,818	2,470
Japanese Yen	50,706	11.68%	56,628	44,784
Mexican Peso	3,050	8.25%	3,302	2,798
Norwegian Krone	1,003	9.40%	1,097	909
Chinese Renminbi Yuan	9,001	7.68%	9,692	8,310
Peruvian New Sol	808	7.44%	868	748
Russian Rouble	4,391	21.00%	5,313	3,469
Singapore Dollar	4,546	6.17%	4,826	4,266
South African Rand	2,620	10.31%	2,890	2,350
South Korean Won	9,431	7.22%	10,112	8,750
Swedish Krona	3,645	7.65%	3,924	3,366
Swiss Franc	18,804	9.95%	20,675	16,933
Taiwan Dollar	5,266	6.59%	5,613	4,919
Thai Baht	799	8.39%	866	732
Turkish Lira	776	10.78%	860	692
US Dollar	204,139	7.78%	220,021	188,257
North America Basket	108,446	7.43%	116,504	100,388
Europe ex UK Basket	50,577	6.46%	53,844	47,310
Asia Pacific ex Japan Basket	21,610	6.52%	23,019	20,201
Emerging Basket	43,069	6.79%	45,993	40,145
<b>Total Currency*</b>	<b>671,637</b>	<b>6.14%</b>	<b>712,876</b>	<b>630,398</b>

\*The % change for Total Currency includes the impact of correlation across the underlying currencies

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

and as at 31 March 2015:

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	4,585	8.87	4,992	4,178
Brazilian Real	4,706	11.69	5,256	4,156
Canadian Dollar	10,030	6.65	10,697	9,363
Chinese Renminbi Yuan	10,870	7.91	11,730	10,010
Danish Krone	1,608	6.19	1,707	1,509
EURO	93,099	6.15	98,824	87,374
Hong Kong Dollar	7,953	7.74	8,569	7,337
Indian Rupee	5,092	10.78	5,641	4,543
Indonesian Rupiah	2,688	11.65	3,001	2,375
Israeli Shekel	832	7.35	893	771
Japanese Yen	55,482	11.02	61,599	49,365
Mexican Peso	2,717	9.42	2,973	2,461
Norwegian Krone	640	8.64	695	585
Peruvian New Sol	798	6.97	854	742
Singapore Dollar	4,864	5.89	5,151	4,577
South African Rand	1,899	10.72	2,103	1,695
South Korean Won	6,927	6.62	7,385	6,469
Swedish Krona	7,672	7.30	8,232	7,112
Swiss Franc	21,024	9.34	22,988	19,060
Taiwan Dollar	5,201	6.62	5,545	4,857
Thai Baht	674	8.08	728	620
Turkish Lira	586	9.85	644	528
US Dollar	196,965	7.78	212,292	181,638
North America Basket	96,721	7.41	103,891	89,551
Europe ex UK Basket	53,891	5.66	56,939	50,843
Asia Pacific ex Japan Basket	22,034	6.44	23,453	20,615
Emerging Basket	52,894	6.80	56,489	49,299
<b>Total Currency *</b>	<b>672,452</b>	<b>5.81</b>	<b>711,488</b>	<b>633,416</b>

\* The % change for Total Currency includes the impact of correlation across the underlying currencies

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

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

## **24. 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 those events and their estimated financial effect.

There are no known events that would have a material impact on these accounts.

## **25. Further Information**

Further information about the fund can be found in Appendices 2 to 4. Information can also be obtained from the Chief Treasury & Technical Officer, Civic Centre, Oystermouth Road, Swansea SA1 3SN or on [www.swanseapensionfund.org.uk](http://www.swanseapensionfund.org.uk).

## **26. Financial Position**

The accounts outlined within the statement represent the financial position of the City and County of Swansea Pension Fund at 31st March 2016.

# CITY & COUNTY OF SWANSEA PENSION FUND

## Appendix 1

### SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES FOR THE PERIOD 1<sup>ST</sup> APRIL 2015 TO 31<sup>ST</sup> MARCH 2016

Administering Authority	Contributors Pensioners Deferred Benefits			Employer Contribution Rate (% of Pensionable Pay) plus additional annual monetary amount
	Number @ 31/03/16	Number @ 31/03/16	Number @ 31/03/16	
City & County of Swansea	10,224	4,988	5,194	22.4%
<b>Scheduled Bodies</b>				
Neath Port Talbot County Borough	5,118	3,449	4,319	23.0%
Briton Ferry Town Council	0	1	1	-
Cilybebyll Community Council	7	0	1	20.5%
Clydach Community Council	0	0	1	-
Coedffranc Community Council	3	3	1	19.2% (+ £3,850)
Gower College	392	226	414	15.4% (+ £170,800)
Lliw Valley BC	0	246	23	-
Margam Joint Crematorium Committee	7	12	5	19.2% (+ £4,800)
NPTC Group	491	227	380	14.7% (+ £157,800)
Neath Port Talbot Waste Management Co. Ltd.	0	1	0	-
Neath Town Council	13	15	8	19.2% (+ £15,700)
Pelenna Community Council	2	2	3	23.6%
Pontardawe Town Council	5	1	0	19.7%
Swansea Bay Port Health Authority	2	10	1	22.4%
Swansea City Waste Disposal Company	0	18	3	-
University of Wales Trinity St Davids	202	125	206	22.4% (+ £450,000)
West Glamorgan County Council	0	2,236	284	-
West Glamorgan Magistrates Courts	0	38	16	-
West Glamorgan Probation Service	0	0	0	-
West Glamorgan Valuation Panel	0	5	0	-
<b>Admitted Bodies</b>				
BABTIE	0	3	12	-
Celtic Community Leisure	281	28	140	11.1%
Colin Laver Heating Limited	0	2	2	19.7%
Swansea Bay Racial Equality Council	1	0	2	30.8%
The Careers Business	0	4	11	-
Wales National Pool	47	3	63	14.5%
West Wales Arts Association	0	2	0	-
Capgemini	0	1	4	18.7%
NPT Homes	473	46	59	16.2%
Phoenix Trust	0	1	4	-
Grwp Gwalia	195	52	67	20.4%
Rathbone CCS	2	0	2	25.2%
Rathbone Gower College	4	0	0	28.9%
<b>Total</b>	<b>17,469</b>	<b>11,745</b>	<b>11,226</b>	



### **Legislative Changes in the Local Government Pension Scheme (LGPS) during 2015/16**

There were no new statutory instruments laid before Parliament in relation to the LGPS in 2015/16.

### **Department of Communities and Local Government Consultation**

The Department of Communities and Local Government have undertaken a number of consultation exercises during the year including :

- Amendments to Investment Management Regulations
- Criteria to satisfy when pooling LGPS assets as part of LGPS reform.
- DCLG are still considering the large number of responses in respect of the former consultation exercise, whilst final submissions in respect of the latter exercise are due to be submitted on July 15th 2016.

### Investment Fund Management

The investment of the Fund is the responsibility of the Pension Fund Committee. The Committee as at 31st March 2016 comprised of :

- 7 Council Members (one member from Neath Port Talbot CBC representing other scheme members) advised by:
  - Section 151 Officer
  - Chief Treasury & Technical Officer
  - 2 Independent Advisers.

The Committee, after taking account of the views of the independent advisers and appointed actuary to the Fund, is responsible for determining broad investment strategy and policy, with appointed professional fund managers undertaking the operational management of the assets.

The fund has implemented a fully diversified investment approach with a view to reducing the volatility of investment returns, whilst maintaining above benchmark growth. The fund employs the services of specialist managers to outperform in each asset class invested in.

The investment managers currently are:

- Global Equities - JP Morgan Asset Management, L&G and Aberdeen Asset Management
- Global Bonds - Goldman Sachs Asset Management and L&G
- Fund of Hedge Funds - BlackRock and Fauchier Partners
- Fund of Private Equity Funds - Harbourvest
- Property - Invesco
- Fund of Property Funds - Partners Group and Schroders Investment Management
- Infrastructure - Hastings Funds Management (UK) Ltd

### **Other Fund Documents**

The City & County of Swansea Pension Fund is required by regulation to formulate a number of regulatory documents outlining its policy. Copies of the :

- Statement of Investment Principles
- Governance Statement
- Funding Strategy Statement
- Communication Policy

are available on request from the City & County of Swansea Pension Fund website  
<http://www.swanseapensionfund.org.uk/>

# **CORPORATE DIRECTOR (RESOURCES) CERTIFICATE & STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

I hereby certify that the statement of accounts on pages 3 to 146 presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2016.

Mike Hawes  
Corporate Director (Resources)

## **The Authority's Responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer, namely the Corporate Director (Resources);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

## **The Chief Financial Officer's Responsibilities**

The Chief Financial Officer is responsible for the preparation of the Authority'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 Chief Financial Officer 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 Chief Financial Officer has also:

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

## **Date of Authorisation for Issue**

The 2015/16 Statement of Accounts was authorised for issue on 22nd September 2016 by Mike Hawes, Corporate Director (Resources) who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

The 2015/16 Statement of Accounts was formally approved by Council on 22nd September 2016.

Des Thomas  
Chairman

# AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

## **Auditor General for Wales' report to the Members of the City & County of Swansea**

I have audited the accounting statements and related notes of:

- The City & County of Swansea;
- The City & County of Swansea Group; and
- The City & County of Swansea Pension Fund

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

The City & County of Swansea's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The City & County of Swansea Group's accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

The City & County of Swansea Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 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 187, the responsible financial officer is responsible for the preparation of the statement of accounts, including the City & County of Swansea's Group accounting statements and the City & County of Swansea Pension Fund's accounting statements, which gives a true and fair view.

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

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

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

## AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

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 the City & County of Swansea**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City & County of Swansea as at 31 March 2016 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 2015-16.

### **Opinion on the accounting statements of the City & County of Swansea Group**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City & County of Swansea Group as at 31 March 2016 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 2015-16.

### **Opinion on the accounting statements of the City & County of Swansea Pension Fund**

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

- give a true and fair view of the financial transactions of the City & County of Swansea Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

### **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;

## **AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA**

- the 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 the City & County of Swansea 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**

**Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ**

**29 September 2016**

## 1. Scope of Responsibility

- 1.1 The City and County of Swansea 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.
- 1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The City and County of Swansea has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*'. A copy of the Code can be obtained by contacting the Chief Auditor on 01792 636463 or e-mailing [paul.beynon2@swansea.gov.uk](mailto:paul.beynon2@swansea.gov.uk). This statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014 to review the effectiveness of its internal control systems at least once a year.

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture 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 services and value for money.
- 2.2 The system of internal control is a significant part of that framework 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 and not absolute 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 Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts



## 3. The Governance Framework

3.1 The CIPFA/SOLACE governance framework identifies the following 6 fundamental principles of corporate governance

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

3.2 Council approved its Code of Corporate Governance on 19 June 2008 based on the 6 principles outlined above.

3.3 The key elements of the policies, systems and procedures that comprise the governance framework in the Council are shown below and linked to the 6 fundamental principles

### 3.4 **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

- The **Council** is made up of 72 councillors who are democratically accountable to residents and have an overriding duty to the whole community. Council decides overall policies and sets the annual budget as well as receiving reports from Scrutiny, Cabinet Members and Officers.
- The Council is required, under the Local Government (Wales) Measure 2011, to put in place a system to publish individual **Councillors Annual Reports** in relation to their activities. A template report has been agreed by the Democratic Services Committee and all reports submitted by Councillors are published on the Council's website.
- A forward looking **Corporate Plan** is produced under the Local Government (Wales) Measure 2009 and the 'Wellbeing Objectives' under the Wellbeing of Future Generations (Wales) Act 2015. The Corporate Plan sets out the Council's vision, priorities, values, principles and delivery. For each priority the Corporate Plan identifies

- Why it is a priority?
- What needs improving?
- What the Council is going to do?
- What outcomes the Council is seeking to achieve?
- The Wales Audit Office completes an annual **Corporate Plan Audit** to ensure that the Plan has been produced in accordance with the Local Government (Wales) Measure 2009. A **Certificate of Compliance** is issued if the Wales Audit Office believes that the Council has discharged its duties under the Measure.
- An **Annual Performance Review** is undertaken by the Council which provides a review of the progress made in meeting the priorities, actions and targets as set out in the Corporate Plan. The review is reported to Council.
- The Wales Audit Office undertakes a **Corporate Assessment** of the Council on a 4 yearly basis as well as an annual programme of improvement studies and an audit of the Council's approach to improvement planning and reporting.
- The Council publishes a **Single Integrated Plan** which is developed by the Local Service Board following a needs assessment to provide the evidence base for the Plan, a review of relevant consultation and an Integrated Impact Assessment undertaken by an expert panel.
- A **Code of Corporate Governance** based on the CIPFA/SOLACE governance framework was adopted by the Council in June 2008. However the Code has not been reviewed since then and is now considerably out of date.
- Each Head of Service must complete a **Service Plan** which sets out the key priorities and objectives of the service and how they will be delivered and measured. The Service Plan also identifies the contribution that the service makes to the priorities and objectives of the Directorate and the whole Council. A Toolkit and Supplementary Guidance exists to assist in the production of the Service Plan.
- A **Medium Term Financial Plan** is approved by Council each year which details the major funding assumptions for the period and proposes a strategy to maintain a balanced budget.

### 3.5 **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

- A **Council Constitution** exists which sets out the framework and rules governing the Council's business described in 16 Articles. The Constitution also includes a Scheme of Delegation and a number of Rules of Procedure, Codes and Protocols as well as the Councillors' Allowances Scheme.
- In response to the recommendations of the Peer Review in September 2014, an updated **Scheme of Delegation** was approved by Council on 27/08/15. The updated scheme is intended to speed up decision making within the Council by delegating authority to individual Cabinet Members, formally recognising the

# ANNUAL GOVERNANCE STATEMENT 2015/16

role of Executive Support Members and providing clearer guidance in relation to limitations on delegation.

- A **Constitution Working Group** exists to review all aspects of the Council Constitution and to make appropriate recommendations for change. The Group also administers the election of the Lord Mayor and Deputy Lord Mayor as outlined in the Council Constitution.
- Separate **Codes of Conduct** exist in the Council Constitution for **Members and Officers** which describe the high standard of conduct expected of them. There is also a **Member/Officer Protocol** which guides the relationship between them to ensure the smooth running of the Council. A new Members Code of Conduct was adopted by Council on 19/05/16, the new Code reflects the Local Authorities (Model Code of Conduct) (Wales) Order 2016 issued by the Welsh Government.
- The **Chief Executive**, as Head of the Paid Service, leads the Council's officers and chairs the Corporate Management Team.
- A new **Senior Management Structure** was approved by Council on 07/04/16. The following key themes were identified in the approach to the re-structuring
  - The need to maintain stability given the imminent departures of key officers
  - The need to ensure that the Sustainable Swansea Programme is delivered
  - The need to make savings in management costs
  - The need to retain the focus on delivering services and priorities

The new structure includes radical proposals for the delivery of Business Support as a result of the Central Services Commissioning Review. There are potential governance risks to the new Business Support model but there is a commitment that the transition will be managed effectively and any changes will have due regard to governance, corporate grip and control.

- The Head of Finance and Delivery was the Council's designated **S151 Officer** throughout 2015/16 and was responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control. The Senior Management Structure report approved by Council on 07/04/16 placed the S151 Officer responsibility with the Corporate Director (Resources)
- The Council's financial management arrangements during 2015/16 complied with the governance requirements of the **CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)** and will continue to do so under the new Senior Management structure agreed by Council on 07/04/16.
- An **Audit Committee** exists to review and scrutinise the Council's financial affairs, review and assess the risk management, internal control and corporate governance arrangements, oversee the internal and external audit arrangements and review the financial

statements. The Audit Committee Annual Report to Council identifies the assurance the Committee has gained over control, risk management and governance.

- The Head of Legal and Democratic Services is designated as the Council's **Monitoring Officer** and is responsible for investigating and reporting on any allegations of contraventions to any laws, policies, procedures, regulations or maladministration and breaches of the Council's Constitution. Under the Senior Management Structure report approved by Council on 07/04/16, the Monitoring Officer function remains with the Head of Legal and Democratic Services pending the implementation of the Business Support Review.
- The Council is the Administering Authority for the **City and County of Swansea Pension Fund** and is responsible for all issues relating to the governance of the Pension Fund. This role is exercised by the **Pension Fund Committee**.
- A **Local Pension Board** exists in line with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015. The role of the Board is to assist the Administering Authority in its role of scheme manager.

### 3.6 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council has defined its **Values** as People Focused, Working Together and Innovation. A description of each value and what it means is available on the Council's website.
- The **Standards Committee** made up of 5 independent members, 3 City and County of Swansea Councillors and 1 Community/Town Councillor promotes and maintains high standards of conduct by Councillors, assists Councillors to observe their Code of Conduct, monitors the operation of the Code and deals with any reports from the Monitoring Officer. The Committee also undertakes roles for ethical audit purposes, including an overview of the Whistleblowing Policy and an overview of complaints handling and Public Services Ombudsman for Wales investigations
- The **Anti-Fraud and Corruption Policy** applies to all councillors and employees. It outlines the Council's commitment to preventing, discouraging, detecting and investigating fraud and corruption whether attempted on the Council or from within the Council. The Policy is available on the Council's internal and external websites. Fraud pages have been published on the websites which defines fraud and outlines how to report suspicions of fraud by telephone, e-mail and via an online form.
- A **Corporate Complaints Policy** based on the Welsh Government Model for complaints handling is in place and can be accessed through the Council's website. The policy governs the investigation of complaints from members of the public including complaints

about service provision. A Corporate Complaints Annual Report is presented to Cabinet each year.

- A **Whistle Blowing Policy** exists which encourages and enables employees to raise serious concerns without fear of harassment or victimisation. The Policy is available to all staff in the online Employee Handbook.
- The **Internal Audit Section** operates in accordance with the Public Sector Internal Audit Standards and is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. A Corporate Fraud Team was established with effect from 01/06/15 for an initial 2 year period. The Team is responsible for investigating all suspected cases of fraud, corruption and bribery across the Council and promoting a zero tolerance approach to fraud.
- **Information Management** is a key part of service delivery and a great deal of work has been accomplished to strengthen and improve the security of the Council's systems that hold data. The Council recognises that there are risks associated with staff accessing and handling data so online training is available together with key policies and a strategy that have helped embed an information security culture. Any suspected or actual information security breaches are reported and managed via an established breach panel and key relationships have been developed with the Information Commissioners Office to ensure the Council operates in accordance with the Data Protection Act. Corporate Management Team receives 6 monthly reports highlighting key success factors. Each Directorate has an Information Management representative who meet bi-monthly and have helped with communication, awareness and new ways of working.
- The success of implementing **Information Management** relies on having effective **Governance** arrangements in place and having a clear understanding and acceptance of responsibilities. A Senior Information Risk Officer (SIRO) is in place to provide board-level accountability and assurance. The SIRO chairs an Information Management and Technology Board that provide direction on all aspects of information and risk ensuring compliance with regulatory, statutory and organisational policies and standards.
- Information is used throughout the Council to help provide better and more efficient services to the public. The **Sharing of Information** is key to the Council's goal of delivering better, more efficient public services that are coordinated around the needs of the individual. It is essential to enable early intervention and preventative work, for safeguarding and promoting welfare and for wider public protection. As areas move towards partnership working and integrated services, professional and confident sharing of information is becoming more important to delivering the benefits of the new arrangements.

## 3.7 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- The **Decision Making** process is clearly set out in the Constitution along with the scheme of delegation and the terms of reference of Cabinet, Committees, Scrutiny Boards, Panels, Forums and Groups.
- The **Cabinet** (as Executive) is responsible for most day to day decisions and acts in line with the Council's overall policies and budget.
- A **Challenge Panel** consisting of 12 members consider any Cabinet decisions which have been 'called in' if the Presiding Member of the Council accepts that the call in is valid. The criteria used by the Presiding Member to decide on validity are tightly set and the Presiding Member receives appropriate advice from officers. The Challenge Panel will consider whether the decision is a well-founded and appropriate decision of Cabinet.
- All reports to Council and Cabinet must include paragraphs detailing the **Financial, Legal and Equality and Engagement Implications** of the report.
- The **Scrutiny Programme Committee** is responsible for developing the Council's Scrutiny Work Programme via a single workplan, holding Cabinet Members to account and providing challenge on specific themes. The Committee will set up informal **Scrutiny Panels and Working Groups** to undertake the detailed work of scrutiny and will appoint **Scrutiny Conveners** to chair the various Scrutiny Panels.
- The role of Scrutiny is to improve the performance of services, to provide an effective challenge to the Executive and to engage non-executive members in the development of policies, strategies and plans. A **Scrutiny Work Planning Conference** is held each year to choose topics for review.
- Quarterly **Scrutiny Dispatches** impact reports are presented to Council as well as a **Scrutiny Annual Report**. The Annual Report is used to highlight the work carried out by scrutiny, show how scrutiny has made a difference and support continuous improvement for the scrutiny function.
- A **Corporate Risk Policy** is in place which describes how risk management is implemented in the Council to support the realisation of strategic objectives. A **Risk Management Framework** also exists which aims to help managers and members at all levels to apply risk management principles consistently across their areas of responsibility.
- Corporate, Directorate and Service **Risk Registers** are in place to capture and monitor risks that could affect the Council's business. Risk Management is subject to regular review by the Audit Committee.

## 3.8 Develop the capacity and capability of members and officers to be effective

- A series of **Mandatory Staff e-Learning Courses** has been developed for all new employees covering corporate induction, safeguarding, fire safety, health and safety, display screen equipment and equalities. A wide range of training is also available to staff via the Learning Pool and directly delivered courses.
- A review of the **Councillors Training Programme** 2014/15 was presented to the Democratic Services Committee where it was resolved that a new Training Needs Assessment be circulated to Councillors. The Assessment was reported back to the Democratic Services Committee where it was resolved that for 2016/17, 14 courses would be deemed to be mandatory with regular reports on attendance being passed to Political Group Leaders/Political Whips to encourage increased attendance. It was also resolved that the increased use of e-Learning for Councillors Training be developed.
- Regular **Cabinet and Corporate Management Team Away Days** are held where thematic issues are discussed such as Sustainable Swansea – fit for the future, One Swansea Plan, Commissioning Reviews, budget and poverty and prevention.
- An **Employee Performance Management Policy** exists and is available to all staff in the online Employee Handbook. The policy establishes a process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance. Evidence from the Staff Survey 2015 indicated that the completion of annual appraisals by managers was sporadic across the Council. The Executive Board requested an audit of appraisals in January 2016 which supported the findings of the staff survey. A further audit will be undertaken in January 2017.
- Monthly **One to One meetings** are held involving the Leader, Cabinet Members, Chief Executive, Corporate Directors, Chief Officers, Heads of Service and 3<sup>rd</sup> tier staff as part of the performance management process.
- Each Corporate Director holds a monthly **Performance and Financial Monitoring** meeting where Chief Officers and Heads of Service report on progress in terms of continuous improvement and budgets. A meeting template exists covering budget, performance, workforce, customers and risk issues.
- The Council Constitution includes detailed **Financial Procedure Rules** which govern the financial management of the Council.
- Financial Procedure Rules are supplemented by detailed **Accounting Instructions** which aid sound financial administration by setting out the principal controls and procedures to be followed by all departments for a range of functions. From time to time the Accounting Instructions are reviewed and ad hoc instructions may also be issued such as the current spending restrictions. The Accounting Instructions have not been reviewed for some time and

need to be updated to reflect changes in systems and procedures in particular the increasing use of digital solutions.

- The Council Constitution includes **Contract Procedure Rules** which govern the purchasing of goods and services and the letting of contracts with the aim of obtaining the best use of resources and value for money.

### 3.9 Engaging with local people and other stakeholders to ensure robust public accountability

- A **Consultation and Engagement Strategy** exists to ensure effective consultation and engagement with residents and partner organisations.
- A series of **Residents Telephone Surveys** of 200 residents take place every 2 months and cover topics such as the Council's reputation and performance in key areas. Consultation also takes place on the annual budget and *Sustainable Swansea – Fit for the Future* as well as service specific consultation run directly by services. The Council will also be carrying out consultation on the Commissioning Reviews being undertaken across services to engage staff, service users and other stakeholders. There is also a ward representative role for each councillor.
- The **Swansea Leader** newspaper is published every 2 months and delivered to every household in the area informing people about the Council's work and the progress it is making. An electronic version of the Swansea Leader is available on the Council's website.
- A wealth of **Information for Stakeholders** is available on the Council website including agendas, which are published in advance of meetings and minutes of all Council, Cabinet, Committee and Scrutiny Board meetings. Members of the public can attend meetings of the Council, Cabinet, Committees and Scrutiny Boards except where confidential or exempt information is likely to be disclosed and the meeting is therefore held in private. The Council website was re-launched in 2014/15 with the aim of being task orientated, easier to navigate and more concise. Following the re-launch of the website, it received a 3 star rating from Socitm up from the previous 2 star rating.
- Members of the public also have the right to ask questions and time is set aside at each Council and Cabinet meeting for **Public Questions**.
- **Financial Monitoring Reports** which monitor the revenue and capital budgets are produced on a quarterly basis and reported to Cabinet.
- **Performance Monitoring Reports** are produced for Cabinet on a quarterly basis and an **Annual Performance Monitoring Report** is also presented which allows performance to be reviewed and to inform executive decisions on resource allocation. The annual report also identifies any corrective action required to manage and improve performance and efficiency in delivering national and local priorities.



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3.10 The Council's Annual Statement of Accounts identify that the Council has an interest in the companies shown below. The Annual General Meeting of the Council appoints councillors to sit on the Boards of the companies. The number of councillors appointed is shown against each company

- Swansea City Waste Disposal Co. Ltd (1 councillor)
- Wales National Pool Swansea Ltd (3 councillors)
- National Waterfront Museum Swansea Ltd (3 councillors)
- Swansea Stadium Management Co. Ltd (2 councillors)
- Bay Leisure Ltd (2 councillors)

3.11 A number of methods are in place to monitor the activities and performance of the companies including councillor/officer steering groups, strategic and operational meetings and management groups.

3.12 A Business and Partnership Unit exists in Cultural Services to monitor the activities of externally funded partner providers and an Annual Report on Leisure Partnerships is presented to Council each year.

## 4. Review of Effectiveness

4.1 The City and County of Swansea has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Chief Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The processes for maintaining and reviewing the effectiveness of the governance framework within the Council include the following broad headings.

### 4.3 Internal Control Self-Assessment

- Each Head of Service has provided a signed **Senior Management Assurance Statement** for 2015/16 which provides assurance over the internal control, risk management and governance framework for their area of responsibility.
- The **Senior Management Assurance Statement** contains 10 questions covering governance issues and requires a 'Yes', 'No' or 'Partly' answer. Most answers provided by Heads of Service were 'Yes' with a small number of 'Partly', there were no 'No' assurance answers. The main areas where 'Partly' answers were given related to concerns over the risks and impact on the control environment resulting from savings proposals and the risks, control and governance relating to partnerships. However, in each case

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assurance was provided that sufficient monitoring was in place so as not to pose a risk to governance.

## 4.4 Internal Sources of Assurance

The following provide assurance based on reports covering 2014/15 as the reports for 2015/16 are not yet available. The 2015/16 reports will be reflected in the next Annual Governance Statement.

- The **Annual Performance Review 2014/15** was approved by Cabinet on 15/10/15 in accordance with the publishing requirements of the Local Government (Wales) Measure 2009. The report showed the results of each performance measure for the 9 Improvement Objectives set out in the '*Standing up for a Better Swansea*' Corporate Improvement Plan 2013/17. The results showed that the Council was 'fully successful' in achieving the performance measures for one of the Improvement Objectives and 'mainly successful' in the other 8 Improvement Objectives.
- The **Corporate Complaints Policy** was in place throughout 2015/16 and the **Corporate Complaints Annual Report 2014/15** was presented to Cabinet on 15/10/15. The Annual Report identified a 4.5% increase in the number of complaints and requests for service in the year. The report also highlighted a number of service improvements which had been introduced as a result of compliant investigations.

The following provides assurance based on reports covering 2015/16

- The **Corporate Plan 2016-17** '*Delivering for Swansea 2016/17*' produced in accordance with the Local Government (Wales) Measure 2009 and the 'Wellbeing Objectives' under the Wellbeing of Future Generations (Wales) Act 2015 was approved by Cabinet on 17/03/16. The Plan describes the Council's vision for Swansea, the 5 key Council priorities and the organisation values and principles that will underpin the delivery of the priorities and the overall strategy. The Corporate Plan on a Page has also been published to assist stakeholders understanding.
- The One Swansea Plan and Delivery Framework 2015 '*Place, People, Challenges and Change*' were endorsed by the Local Service Board on 15/09/15 as the **Single Integrated Plan**. The purpose of the Plan is to improve the wellbeing of people in Swansea by ensuring that professionals and the public work together. The Plan is developed by the Local Service Board which includes the main public service agencies for the area and representatives of the voluntary and business sector. The Plan identified Domestic Abuse (with a focus on safeguarding) and Older People's Independence as the priorities for 2015/16.
- The adoption of the **Council Constitution** was reaffirmed at the Annual Meeting of the Council on 19/05/15. Various reports have

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been approved by Council throughout 2015/16 making changes to the Constitution.

- The **Standards Committee** met on 7 occasions during 2015/16 and the **Standards Committee Annual Report 2015/16** was presented to Council on 28/07/16. The report described the work of the Committee during 2015/16 including the merger with the Community/Town Councils Standards Committee, the annual discussions with Political Group Leaders, Committee Chairs and the Chief Executive, developing a protocol to follow when attending other Council Body Meetings as Observers and a proposed review of the dispensation regime in 2016.
- The **Audit Committee** met on 9 occasions during 2015/16 and followed a structured workplan which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes a lay member as required by the Local Government (Wales) Measure 2011. The lay member is also the Chair of the Committee.
- The **Audit Committee Annual Report 2015/16** was approved by the Audit Committee on 28/06/16 and will be presented to Council on 22/09/16. The report outlined the assurance the Committee had received over control, risk management and governance from various sources over the course of 2015/16.
- The **Internal Audit Annual Report 2015/16** was reported to the Audit Committee on 30/08/16 and included the Chief Auditor's opinion that based on the audit reviews undertaken in 2015/16, Internal Audit can give reasonable assurance that the systems of internal control were operating adequately and effectively and that no significant weaknesses were identified.
- The **Scrutiny Programme Committee** met on 14 occasions in 2015/16 and had overall responsibility for the scrutiny function.
- The **Scrutiny Annual Report 2015/16** was presented to Council on 28/07/16. The report highlighted the work carried out by Scrutiny, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. The report also showed the progress made in achieving the 5 improvement outcomes identified in the previous year's Annual Report. The report showed that Scrutiny continued to improve and to make a difference with the flexible approach attracting interest from other councils.
- The annual **Scrutiny Work Planning Conference 2015/16** was held on 08/06/15 and a report on the **Scrutiny Work Programme 2015/16** was agreed by the Scrutiny Programme Committee on 13/07/15.
- The **End of Year Performance Monitoring Report 2015/16** was approved by Cabinet on 21/07/16 which presented the detailed performance results for 2015/16. The report showed that 51 (59%) Performance Indicators had met the target set for the year and 41 (68%) of comparable Indicators showed improvement compared to 2014/15. The results of the review are used to inform executive

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decisions on resource allocation and to take corrective action to manage and improve performance and efficiency in delivering national and local priorities.

- The **Constitution Working Group** met on a number of occasions during 2015/16 to discuss amendments to the Constitution including a review of filming, recording and photography at Council meetings, the Model Council Constitution and Council Procedure Rule 26 – Public Presentations and Question Time. The Group also met to agree the nomination of the prospective Lord Mayor and Deputy Lord Mayor.
- The **Medium Term Financial Plan 2017/18 – 2019/20** was approved by Council on 25/02/16. The Plan outlined the significant shortfall in funding faced by the Council over the period and the strategy to be adopted to address the shortfall as well as the inherent risks to the success of the adopted strategy.
- The **Corporate Risk Management Policy and Framework** operated throughout 2015/16 and the Head of Finance and Delivery presented update reports on Risk Management to the Audit Committee on 15/12/15 and 16/02/16.
- Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.
- Quarterly **Performance Monitoring Reports** were presented to Cabinet during 2015/16 which provided detailed performance tables and identified the Council's performance outturn for the indicators which had been selected for their suitability to measure performance against the Council's 5 key priorities.
- Improvements are being made to the Council's performance and monitoring arrangements by the introduction of the **Balanced Scorecard** as the new performance improvement framework. The Balanced Scorecard will also be a strategic delivery system to translate the Council's vision and strategy into tangible objectives and measures. It will operate at all levels within the organisation to deliver the Council's '*Corporate Strategy on a Page*'. The development of the corporate strategy using the Balanced Scorecard and the Data Action and Risk Tool (DART) will continue during 2016/17.
- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2015/16. The reports identified a potential revenue budget overspend at year end based on available information and stressed the need for expenditure to be contained within the budget set by Council. The reports identified an urgent need for significant additional budget savings across all Council service.
- A **Mid Term Budget Statement 2015/16** was presented to Cabinet on 15/10/15 which provided a strategic and focussed assessment of the current year's financial performance and an update on strategic planning assumptions over the next 3 financial years. The conclusion of the Statement was that the Council would struggle to

deliver within the overall resources identified to support the budget in 2015/16. The likely projected outturn was dependent upon the willingness and ability of the Council to reduce and restrict ongoing expenditure across all areas. The Statement also identified the need for the Council to significantly accelerate its efforts in terms of scale and pace in the implementation of the *Sustainable Swansea* delivery programme in 2016/17 and beyond.

- All reports presented to Cabinet and Council during 2015/16 had been reviewed by Finance, Legal and Access to Services staff and included the appropriate paragraphs detailing the **Financial, Legal and Equality and Engagement Implications** of the report.
- The **Pension Fund Committee** met on 4 occasions during 2015/16 and dealt with all issues relating to the governance of the Pension Fund.
- The Council's outsourced **ICT Contract** with Capgemini successfully transferred back to an in-house managed service during 2015/16. Project methodology was used to deliver the scope and objectives of the transfer including a strong governance model to closely monitor the deliverables. All risks were managed and controlled during the project which delivered a number of benefits including annual ICT cost savings of £1.5m. The End of Project report was presented to Cabinet on 21/01/16,

## 4.5 External Sources of Assurance

- The Wales Audit Office undertook a **Corporate Assessment** of the Council in November 2014. The assessment sought to answer the question *'is the Council capable of delivering its priorities and improved outcome for citizens?'* The **Annual Improvement Report 2014/15** which incorporated the Corporate Assessment report was presented to Council on 23/07/15 and concluded that *'the Council can demonstrate improvement across a range of key services and has developed a clear framework for managing future challenges'*. The report made the following proposals for improvement which will be addressed by the Council.
  - Implement planned changes to the reporting arrangements for the key corporate priorities and identify a smaller number of outcomes intended to ensure delivery of the Council's new priorities.
  - Ensure records of delegated decisions made by officers are accurately recorded.
  - Increase the pace of implementation of improvements to performance reporting arrangements to provide a balanced range of readily accessible information that assists decision making.
  - Ensure service business plans consistently incorporate workforce and asset management requirements as expected in corporate guidance.

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- The Wales Audit Office is undertaking a **Corporate Assessment follow up** exercise to review progress against the proposals for improvement. The exercise is due to be completed by June 2016.
- The Council invited the WLGA to facilitate a **Peer Review** in September 2014. The Peer Review had 3 key areas of focus i.e. Delivery, Change and Governance which were felt to be critical to organisational development and delivery in challenging times. The Peer Review identified both areas of strength and areas for improvement and made 20 recommendations in its report. The Council prepared an action plan to address the recommendations which was approved by Cabinet on 14/04/15. The Director of Corporate Services provided a **Peer Review Progress Update** to the Audit Committee on 19/04/16 which, for each of the 3 key areas of focus, identified what had been achieved and what was still to do. It was recognised that substantial progress had been made although there was still work to do and that going forward it was important to evaluate the impact of the actions taken.
- One of the results of the Corporate Assessment and Peer Review was that the Head of Legal and Democratic Services was tasked with undertaking a review of the Council's governance arrangements. To provide external assurance, the WLGA were asked to complete a **Corporate Governance Review**. The final report will be presented to the Audit Committee on 28/06/16 with the overall conclusion that there were no significant flaws in the governance arrangements but there were improvements that could be made. The findings from the WLGA report have been added to the Peer Review/Corporate Assessment Action Plan and will be addressed during 2016/17.
- The Appointed Auditor's **Annual Audit Letter 2014/15** was issued on 17/11/15 and presented to the Audit Committee on 15/12/15. The letter stated that *'The Authority complied with its responsibilities relating to financial reporting and use of resources'*. The letter also stated that an unqualified audit opinion had been issued on the accounting statements confirming that they present a true and fair view of the Authority's and the Pension Fund's financial position and transactions. The letter also stated that *'The Auditor General for Wales is satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources'*.
- The Auditor General for Wales **Report of Deficiencies in Internal Controls 2014/15** was presented to the Audit Committee on 17/11/15. The report stated that *'No significant deficiencies in internal control have been identified, however recommendations have been raised for the Authority in order to further improve its control environment'* and *'The Authority has made progress in enhancing its control environment and implementing recommendations raised last year'*. A total of 10 new recommendations were made regarding deficiencies identified in the report and a further 8 recommendations in respect on 2013/14 had not been fully implemented.

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- PwC on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2014/15** to Cabinet on 17/09/15. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The report concluded that provided PwC were able to satisfactorily complete the outstanding work then it was the intention to issue an unqualified audit report on the financial statements. At the request of the Chair, the Audit of Financial Statements Report 2014/15 was reported to a special meeting of the Audit Committee on 21/09/15.
  - The Wales Audit Office has issued a **Certificate of Compliance** following its audit of the Corporate Plan 2016/17
  - The Council is subject to **Statutory External Inspections** by various bodies including Wales Audit Office, ESTYN and CSSIW. ESTYN inspected 16 educational establishments during 2015/16 with inspection reports being provided to the Governing Body in each case. Work continued in 2015/16 to implement the 5 recommendations arising from ESTYN's Education Services for Children and Young People Inspection Report 2013/14. Progress reports were made to Cabinet throughout the year with the most recent report on 17/03/16 reporting that 1 recommendation had a Red status (remains a concern), 1 had an Amber status (limited progress) and 3 had a Yellow status (good progress). The CSSIW Performance Evaluation Report 2014/15 for Swansea was presented to Council on 17/12/15. The report was very positive about Child and Family Services and recognised the efforts made in the last few years are now delivering benefits in terms of quality of care and cost of services. The report was also positive about Adult Services and highlighted that the need to provide preventative and well-being services is an enormous challenge.
- 4.6 The Annual General Meeting of the Council held on 19/05/15 appointed the required number of Councillors to sit on the Boards of the companies included in the Council's Statement of Accounts. A change was made to the representatives on the National Waterfront Museum Swansea Board at Council on 25/06/15 and to the representatives on Bay Leisure Ltd Board at Council on 28/04/16.
- 4.7 The Leisure Partnerships Annual Report 2014/15 was presented to Council on 28/04/16 which was considerably after the end of 2014/15. The report reviewed the performance of the Wales National Pool Swansea, National Waterfront Museum Swansea, Liberty Stadium and the LC in detail and provided information on the monitoring arrangements in place.
- 4.8 For the first time, the Leisure Partnerships Annual Report 2014/15 included details of the following partnerships where there is no Council representation on the Board and the Council's financial contribution is nil or limited.

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- 360 Beach and Watersports Centre
- Swansea Indoor Bowls Centre
- Swansea Tennis 365

- 4.9 The review of the governance arrangements which operated for 2015/16 in the City and County of Swansea has shown that in general they provide a sound system and there are no suggestions that major issues exist. This view was supported by the Peer Review, Corporate Assessment and the recent WLGA Corporate Governance Review
- 4.10 The evidence gathered as part of the governance review for 2015/16 i.e. the Internal Control Self-Assessment and the review of internal and external sources of assurance supports the view that the governance arrangements continue to be fit for purpose although a small number of issues were identified where improvements can be made which are highlighted in Section 5 below.
- 4.11 We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## 5 Significant Governance Issues

- 5.1 The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement 2014/15 and the action taken during the year to address the issues

Issue	Proposed Action	Action Taken
<p><b>WLGA Peer Review Governance Issues – Corporate Governance Review</b></p> <p>1. Formal briefing of Cabinet members with emphasis on proactively engaging them in decisions rather than briefing</p>	<p>The Head of Legal and Democratic Services is to undertake a ‘whole system’ review of how we make decisions, to include</p> <ul style="list-style-type: none"> <li>• Member decision making, including Cabinet Member delegation, briefings, role of CACs and impact of scrutiny</li> <li>• Officer decision making, including</li> </ul>	<p>The comments below are taken from WLGA’s final Governance Review report</p> <p>1. Regular formalised meetings now take place but more work is required on the early engagement of Cabinet Members in decision making. It was considered that this recommendation was</p>



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<p>them too late in the decision making process.</p> <p>2. Clarify the role of Cabinet Advisory Committees in the Constitution.</p> <p>3. Ensure that scrutiny is closely orientated towards the Council's top priorities.</p> <p>4. Consider reducing the time that Cabinet has to respond to scrutiny recommendations</p>	<p>the requirement to consult</p> <ul style="list-style-type: none"> <li>• Legal, EIA, audit, HR etc. considerations</li> <li>• Programme management, including boards</li> </ul> <p>The review is focussed on the options available to allow the Council to move to a more agile, business like and quicker approach to governance both at Member and Officer level.</p> <p>There are many aspects of the processes that reinforce an old, risk averse approach. A set of principles need to be agreed that underpin future decision making processes</p> <p>This review will pick up a wide range of specific actions, as well as current actions to clarify roles and responsibilities. Further work is likely to pick up wider aspects of corporate governance.</p>	<p><b>partly met.</b></p> <p>2. A report to Council on 27/08/15 established a clear structure and reporting lines for Cabinet Advisory Committees. The report included Terms of Reference for the Committees which have been included in the Constitution. This recommendation was felt to be <b>largely met.</b></p> <p>3. One of the improvement outcomes for 2015/16 in the Scrutiny Annual Report 2014/15 was the need to align the work of scrutiny more closely with the Council's 5 Corporate Priorities. As a result, the Scrutiny Work Programme demonstrates a closer orientation to Council Priorities therefore it was felt that this recommendation was <b>largely met.</b></p> <p>4. It was agreed at Council on 25/06/15 that the cabinet response time be reduced to 2 months. It was stated that this recommendation had been <b>fully met.</b></p>
<p><b>WLGA Peer Review Governance Issues – Local Service Board</b></p> <p>1. LSB could develop a small number of</p>	<p>'Reinvent' the Local Service Board or a 'city partnership' with:</p> <ul style="list-style-type: none"> <li>• A smaller number of delivery focused priorities</li> <li>• A more radical approach to joint</li> </ul>	<p>1. In line with the requirements of the Well-being of Future</p>

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<p>priorities which partners commit resources to and tackle on a task and finish or rolling basis.</p> <p>2. Communicate the role, purpose and activities of LSB to members looking to involve them in the work of the LSB including ward projects and local engagement or consultation.</p>	<p>working and pooling of staff and resources</p> <ul style="list-style-type: none"> <li>• Greater engagement of Members in local projects</li> </ul> <p>The Single Swansea Plan (SSP) has agreed priorities but there is a need to refocus efforts on delivery. The SSP is currently being reviewed.</p> <p>The opportunities around community budgets are significant, but will be subject to a willingness by all partners to give up some sovereignty and to work differently to achieve better outcomes.</p>	<p>Generations (Wales) Act 2015, the LSB has been replaced with the Swansea Public Service Board which first met in May 2016. The Act requires that a small number of Well-being Objectives are agreed and delivered by partners and this will be done following the introduction of a Well-being Assessment in 2017. For 2016/17, the PSB has agreed to pursue a small number of issues as 'year one priorities'. These priorities, along with proposals for the workstreams that will deliver them, will be agreed at the PSB's July 2016 meeting.</p> <p>2. Information about PSB meetings and the work to deliver PSB priorities is communicated directly to all members by e-mail. Workstreams are open to members to participate in and a guide for members has been agreed by the PSB and will be published on the PSB website</p>
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5.2 The comments regarding the Corporate Governance Review action taken shown above is taken from the WLGA's final Governance Review report which was presented to the Audit Committee on 28/06/16. The report to the Audit Committee included a commitment from the Leader and Chief Executive to implement the recommendations included in the Governance Review including those necessary to fully implement the outstanding significant governance issues shown in the table above,

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5.3 The following table identifies issues which have been raised during the review of effectiveness and the proposed action to be taken during 2016/17 to address the issues

Issue	Proposed Action
<p><b>1. The Council's Code of Corporate Governance should be updated to ensure compliance with the core and sub principles contained in the revised CIPFA/SOLACE Delivering Good Governance in Local Government Framework</b></p>	<p><b>The Code of Corporate Governance is to be reviewed in line with the CIPFA/SOLACE Guidance Notes for Welsh Authorities due to be published in September 2016.</b></p>
<p>2. There are potential governance issues as a result of the proposals for the new Business Support model across the Council arising from the Corporate Services Commissioning Review.</p>	<p>The transition to the new Business Support model will be carefully managed to ensure it is managed effectively and any changes will have due regard to governance, corporate grip and control.</p>
<p>3. A system should be developed to record relevant delegated decisions made by officers.</p>	<p>An appropriate system will be developed to record delegated officer decisions which could include the use of financial thresholds to ensure consistency across the Council and agreement between Cabinet Members and relevant officers on which delegated decisions should be recorded.</p> <p>The agreed system will be implemented by publishing relevant decisions on the Council website.</p>
<p>4. The process for producing the Annual Governance Statement should be reviewed to broaden the officer contribution to the process and to ensure that it is a live process throughout the year rather than a retrospective year-end process</p>	<p>A representative group from across the Council will be set up to meet regularly to review the Annual Governance Statement.</p> <p>The group will review the current Annual Governance Statement to identify where the format can be improved to promote a wider understanding and ownership of the Statement.</p>

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5.4 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 .....

Signed..... Leader  
Date .....

## **GLOSSARY OF TERMS**

We appreciate that the Statement of Accounts as presented contains a number of technical terms which may be unfamiliar to the lay reader. Wherever possible we have sought to minimise the use of technical terms but in some instances this has not been possible. The following section attempts to explain the meaning of some of those technical terms that are used in the Statements.

### **Accrual**

Sums due to the Authority or payable to external organisations in the financial year irrespective of whether the cash has been received or paid.

### **Actuary**

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

### **Agency Services**

Agency services are services provided for us by an outside organisation.

### **Amortised Cost**

Amortised costs are used to spread the financial impact of depreciation or using an equivalent interest rate or the effect of a premium or discount over a number of years on the income and expenditure account.

### **Associate**

An associate is an entity other than a subsidiary or joint venture in which the reporting authority has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

### **Audit**

An audit is an independent examination of our activities.

### **Balance Sheet**

This is a statement of our assets and liabilities at the date of the balance sheet.

### **Budget**

A budget is a spending plan, usually for the following financial year.

### **Capital Adjustment Account**

This Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed by depreciation, impairment and disposals, and the amount that has been set aside to finance capital expenditure.

### **Capital Expenditure**

Capital expenditure is spending on fixed assets. These are assets which will be used for several years to provide services such as buildings, equipment and vehicles.

# **GLOSSARY OF TERMS**

## **Capital Receipts**

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

## **Cash Equivalents**

Cash Equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **Cash flow Statement**

This is a statement that summarises the movement in cash during the year.

## **Consolidated Balance Sheet**

This balance sheet combines the assets, liabilities and other balances of all our departments, at our year end date.

## **Corporate and Democratic Costs**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

## **Credit Risk**

This is the risk of loss due to a debtors inability to make interest or principal repayments on a loan /investment.

## **Creditor**

A creditor is someone we owed money to at the date of the balance sheet for work done, goods received or services rendered.

## **Current Assets**

These are short-term assets which are available for us to use in the following accounting year.

## **Current Liabilities**

These are short-term liabilities which are due for payment by us in the following accounting year.

## **Debtor**

A debtor is someone who owed money to us at the date of the balance sheet.

## **Depreciation**

Depreciation is the theoretical loss in value of assets, which we record, in our annual accounts.

## **Direct Labour Organisation or Direct Service Organisation (DLO or DSO)**

This is our own organisation. It consists of workers we directly employ (including supervisory staff), accommodation, equipment and so on, used to carry out specified tasks for us.

# GLOSSARY OF TERMS

## **Earmarked Reserves**

These are reserves we have set aside for a specific purpose.

## **Financial Year**

This is the accounting period. For local authorities it starts on 1<sup>st</sup> April and finishes on 31<sup>st</sup> March in the following year.

## **Finance Leases**

When we use finance leases, we take on most of the risks (and rewards) of owning the assets.

## **Fixed Asset**

These are long-term assets we use (usually for more than one year).

## **Gilt Edged Stocks**

These are investments in government or local authority stocks. They are regarded as risk-free.

## **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

## **Housing Revenue Account**

This account contains all our housing income and spending.

## **Investments**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

## **Joint Venture**

A joint venture is an entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement.

## **Leasing**

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

## **Liability**

A liability is an amount payable at some time in the future.

# **GLOSSARY OF TERMS**

## **Liquidity Risk**

This is the risk that investments cannot be readily turned into cash or realised because there is no ready market for the instrument or there are restrictive clauses in the agreement.

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

This is the amount we have to set aside to repay loans.

## **National Non-Domestic Rates (NNDR)**

The NNDR, or Business Rate, is the charge occupiers of business premises pay to finance part of local authority spending. The NNDR is set by Government and is a percentage of the rateable values. The percentage is the same throughout Wales. The total collected is split between individual authorities in proportion to their adult populations.

## **Net Realisable Value**

The selling price of the asset, reduced by the relevant cost of selling it.

## **Non Distributable Costs**

These are costs that relate to past activity costs, such as the cost of redundant assets or information technology, or past service pension that cannot be allocated to services.

## **Operating leases**

These are leases where risks (and rewards) of ownership of the asset remain with the owner.

## **Precepts**

This is the amount we pay to a non-billing authority (for example a community council) so that it can cover its expenses (after allowing for its income).

## **Provision**

A provision is an amount we set aside in our accounts for expected liabilities which we cannot measure accurately.

## **Public Works Loan Board (PWLB)**

This is a Government agency which provides longer-term loans to local authorities. It charges interest rates only slightly higher than those at which Government itself can borrow.

## **Related party transactions**

These are the transfer of assets or liabilities or the performance of services by, to or for a related party no matter whether a charge is made.

## **Reserves**

These are sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

## **Revaluation Reserve**

This reserve represents the difference between the revalued amount of fixed assets in the Balance Sheet and their depreciated historical cost.



# **GLOSSARY OF TERMS**

## **Revenue account**

This is an account which records our day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

## **Scheduled organisation**

An organisation whose employees have an automatic right to be members of a pension fund.

## **Securities**

These are investments such as stocks, share and bonds.

## **Stocks**

Stocks are raw materials we purchased for day to day use. The value of those items we had not used at the date of the balance sheet is shown in current assets in the balance sheet.

## **Subsidiary**

An entity is a subsidiary of the reporting authority if:

- the authority is able to exercise control over the operating and financial policies of the entity, and
- the authority is able to gain benefits from the entity or is exposed to the risk of potential arising from this control.

## **Temporary Borrowing or Investment**

This is money we borrowed or invested for an initial period of less than one year.

## **Transfer value**

This is the value of payments made between funds when contributors leave service with one employer and decide to take the value of their pension contributions to their new employer's fund.

## **Trust Funds**

Trust funds hold an individual's or organisation's money on their behalf. Trustees administer the money for the owners.

## **Unit Trusts**

These are investment companies which accept money from many different investors. The money is pooled and used to buy investments.

## **Venture Capital Units**

These are investments we have made in businesses where there is a higher risk but where rewards are also likely to be higher, if the businesses are successful.

## **Work in Progress**

Work in progress is the value of work done on an unfinished project at the date of the balance sheet and which has not yet been recharged to the appropriate revenue account.