

**Council - Thursday, 29 August 2019**

**At: Council Chamber, Guildhall, Swansea**

**Time: 5.00 pm**

10a Statement of Accounts 2018/19.

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# Statement of Accounts 2018/19



Swansea Council | Cyngor Abertawe

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## Introduction



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

Approximately 245,500 people live within the boundaries of the Council of which:

- 42,000 are aged under 16
- 54,800 are of pensionable age
- 22,000 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 Council's financial affairs.

Copies of these accounts can be obtained from:

Chief Finance Officer  
Swansea Council  
Guildhall  
Swansea  
SA1 4PE

## Narrative Report

The main elements of this Statement of Accounts comprise:-

- \* The Expenditure and Funding Analysis which shows how annual expenditure is used and funded from resources by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates.
- \* 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 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 Balance Sheet, showing a snapshot of the Authority's financial position at the 31st March 2019.
- \* 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 Certificate and Statement of Responsibilities of the Chief Finance Officer 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.

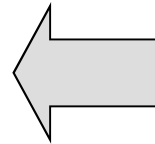
**Capital expenditure** covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing, capital grants and the sale of fixed assets. Amounts borrowed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

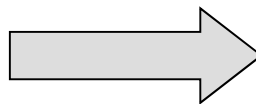
### Revenue spending in 2018/2019

	£'m	%
Revenue support grant	239.9	30
Non domestic rates	79.1	10
Council tax (including Reduction Scheme)	115.9	15
Other income (rents, fees and charges, specific grants)	361.9	45
	<b>796.8</b>	<b>100</b>



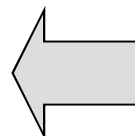
*Where our money comes from*

*What we spend it on*



	£'m	%
Employees	382.9	48
Capital charges	35.7	4
Running costs	347.2	44
Precepts/Levies	35.1	4
Reserve transfers	-4.1	0
	<b>796.8</b>	<b>100</b>

	£'m	%
Resources	148.8	19
People - Poverty & Prevention	20.4	3
People - Social Services	167.7	21
People - Education	236.3	30
Place	178.3	22
Housing Revenue Account (HRA)	34.2	4
Reserve transfers	-4.1	0
Other	15.2	1
	<b>796.8</b>	<b>100</b>



*And the services it provides*

The reserve transfers of -£4.1m are the revenue reserve transfers in 2018/19 which include the General Fund, Housing Revenue Account and Earmarked Reserves.



## *Narrative Report*

### **Authority services**

The revenue outturn position of the Authority for 2018/19 resulted in an increase in expenditure on services of £2.267m compared to adjusted budget. In addition, the revenue outturn position reflects a further £3.511m of one off expenditure on an invest to save basis, that was partly met from the Authority's contingency and restructuring funds 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 overall overspend on Services reflects forecast and known pressures within both Social Services and Education budgets which have been partly reflected in 2019/20 budget proposals.

Neither of these are sustainable in the longer term and ongoing review and action will follow.

### **Other budget variations**

Other budget savings during the year arose from reductions in capital repayments and interest charges (£7.688m). The MRP (Minimum Revenue Provision) Policy was reviewed in year and Council approved a change in MRP Policy which helped lower Capital repayment charges in the short to medium-term. In line with the Council's agreed reserve policy, the whole capital financing underspend has been transferred to a Capital equalisation reserve.

For all supported borrowing, including capital expenditure incurred before 1st April 2008, the charge to revenue will be over 40 years by the straight line method, which is commensurate with the average of existing asset useful economic lives. In essence this replaces the 4% reducing balance method with a 2.5% straight line method. This can be considered a more prudent approach than the current provision because it introduces a more certain period for eliminating the debt liability in full.

### **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 2018/19 there was a net decrease in HRA reserves at year end of £0.625m (2017/18 net decrease £3.040m).

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 18th July 2019.

## Narrative Report

### Capital spending in 2018/2019

	£'000
External borrowing	30,838
Government grants	30,827
Other grants/contributions	1,967
Capital receipts	248
Revenue and reserves	30,439
Financing of previous years	2,192
	<b>96,511</b>

*Where our money comes from*

*What services we spend it on*

	£'000
Resources	1,015
Place Services	89,251
People Services	6,245
	<b>96,511</b>

*Some of the assets it provided*

People Services	£'000	Place Services	£'000
<b>Education</b>		<b>Housing (GF)</b>	
Pentrehafod Comp remodelling	3,418	Housing Disabled Facilities Grants	4,109
EOTAS new build	607	Sandfields Renewal Area	658
<b>Place Services</b>		Housing other grants/loans	1,002
<b>Housing (HRA)</b>		<b>Highways and Transportation</b>	
HRA More Homes programme	941	Carriageways & Footways	5,304
HRA refurbishment (includes kitchens and bathrooms)	19,710	Local Transport Network fund schemes and Local Transport Fund	1,807
HRA Adaptation works	2,792	Active Travel Schemes	2,043
HRA Energy Efficiency	1,104	<b>Other Services</b>	
HRA Wind & Weatherproofing (includes Hi-rise flats)	6,222	Leisure Centre improvements	904
HRA Regeneration	7,570	Other Buildings Capital Maintenance	1,531
HRA landscaping and enhancement	3,498	School capital maintenance	3,619
<b>Economic Development</b>		Plantasia improvements	801
The Kingsway Urban Park	4,415	Property investment portfolio	8,242
City Centre Redevelopment - Swansea Central Phase 1	5,201	<b>Resources</b>	
Musgrave Engine House	695	Digital - laptops and accessories	604

## *Narrative Report*

The Authority maintains a number of provisions and reserves. Provisions are disclosed in Note 21 on pages 96 and 97. The information regarding reserves are disclosed in the Movement in Reserves Statement on pages 23 to 27 and Note 10 on page 70.

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 2019.

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 £83.178m (2017/18 £75.215m).

### **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 2019 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 2018/19 relates to the valuation undertaken on 31st March 2016.

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.

The Government is currently consulting on a public sector exit cap, which includes the LGPS, which if implemented would reduce some departure costs.

## *Narrative Report*

The Pension Fund Deficit at 31st March 2019 is £823.404m (31st March 2018 £712.028m).

### **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 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.

### **Leisure Trust**

On 1st October 2018, the management of the Authority's leisure centres was transferred to Wealdon Leisure Ltd (T/A Freedom Leisure), a not for profit leisure trust.

### **Plantasia**

On 1st February 2019, the management of Plantasia was transferred to Parkwood Leisure Limited.

### **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 2018/19. 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) (Amendment) Regulations 2018.

The 2018/19 CIPFA Code has removed the disclosure requirements for the analysis of debtors and creditors across public sector organisations. The 2017/18 comparative figures have been restated to reflect the new disclosure requirements.

The 2018/19 CIPFA Code has been amended to reflect the disclosure requirements under IAS 7 Statement of Cash Flows (Disclosure Initiative). From 2018/19 there is a new disclosure note that provides a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities (Note 24).

The section on revenue recognition in the 2018/19 CIPFA Code has been rewritten to reflect the adoption of IFRS 15 Revenue from Contracts with Customers. There are enhanced disclosures to reflect the amount of revenue, trade receivables and impairment losses on trade receivables that result from contracts with service recipients.

## *Narrative Report*

To reflect the 2018/19 CIPFA Code's adoption of IFRS 9 Financial Instruments, CIPFA have fully revised the Financial Instruments section of the code. The revised section includes new classifications for financial assets and their measurement and a new expected losses approach to impairment of financial assets. From 2018/19 disclosure notes have been updated in accordance with the CIPFA Code to reflect the changes.

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

On 28th February 2019 the Authority approved a medium term financial plan which highlighted potential revenue shortfalls rising from £24.9m in 2020/21 to £63.4m in 2022/23.

That report also contained a range of potential future savings options including continued focus on a range of cross cutting reviews as the pace and scale of transformative change needed to fit to forecast reducing real terms resources levels intensifies. These include reviews of asset use, greater commercialism, continued transformative business support and a range of new, zero based reviews.

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 in the short/medium term in line with the UK Government budget plans, despite comments indicating an end to austerity. We await with interest the outcome of the Comprehensive Spending Review in 2019. Equally the Authority continues to have ambitious plans to invest substantially in its capital infrastructure, a significant part of which will need to be financed from its own revenue resources, as well as from wider stakeholders including, but not limited to, the Swansea Bay City Region Deal.

Whilst the precise details of funding available for 2020/21 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 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, development of regional partnership arrangements in line with Welsh Government policy, and compliance with any legislative and other changes, especially around the Wellbeing of Future Generations, the Environment Act and Education Additional Learning Needs.

Local Government reorganisation and perhaps, now much more likely, regionalisation, driven by the Welsh Government and Local Government collectively, will continue to evolve and change. Whilst a range of future options remain, there is continued expectation of a degree of likely increasing mandatory regional working on a range of services in the future.

## *Narrative Report*

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

Intrinsically linked to part of this regionalisation agenda is the shared vision between four councils (including Swansea), the Welsh Government, the UK Government and other public sector partners (NHS, University sectors) as well as the private sector in delivering the £1.3bn Swansea Bay City Region deal. Overall funding obligations for the Council and delivery expectations will become clearer as the City Deal project develops, following the conclusion of the rapid independent review by government.

Furthermore there may be impact as a result of ongoing options around the proposed Swansea Bay Tidal Lagoon project. Whilst the UK Government has formally decided not to proceed, this Council and a range of stakeholders remain committed through the Swansea Bay Tidal Lagoon Task Force to explore all alternative delivery models and vehicles. Whilst it does not manifestly directly involve the Local Authority in the same way as the city region deal, nonetheless it offers a scale and significance to the local area and economy whose potential impact ought to be initially recognised.

There remains inherent uncertainty arising from the prolonged Brexit negotiation process at national level. This has the potential to leave greater uncertainty over future prices, interest rates, value of investments, financial obligations and a wide range of regulatory and contractual arrangements. The Council also continues to incur some modest costs in preparing for all Brexit scenarios and may incur further future costs. On 29th March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two year negotiation process between the UK and the EU. On 11th April 2019, the Government confirmed agreement with the EU on an extension until 31st October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified.

### **Further information**

You can get more information about the accounts from the Chief Finance Officer, Swansea Council, Guildhall, Swansea, SA1 4PE.

## ***Chief Finance Officer's Certificate & Statement of Responsibilities for the Statement of Accounts***

I hereby certify that the statement of accounts on pages 4 to 143 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 2019.

Ben Smith  
Chief Finance Officer

### **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 Chief Finance Officer;
- 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 2018/19 Statement of Accounts was authorised for issue on 29th August 2019 by Ben Smith, Chief Finance Officer 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 2018/19 Statement of Accounts was formally approved by Council on 29th August 2019.

Des Thomas  
Chairman



## The independent auditor's report of the Auditor General for Wales to the members of City and County of Swansea

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of:

- City and County of Swansea; and
- City and County of Swansea Group

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

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

The City and County of Swansea's Group financial 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 and the related notes, including a summary of significant accounting policies.

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

In my opinion the financial statements:

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

#### Basis for opinion

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



## Conclusions relating to going concern

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's or group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## Other information

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

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

## Report on other requirements

### Opinion on other matters

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

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

### Matters on which I report by exception

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

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

- proper accounting records have not been kept;

## ***Auditors' Report to the City & County of Swansea***

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

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

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

### **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including City and County of Swansea's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
30 August 2019

24 Cathedral Road  
Cardiff  
CF11

## Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax (and rent) payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2017/18				2018/19		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments (Note 6a)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments (Note 6a)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000		£'000	£'000	£'000
	50,023	-13,349	36,674	Resources	44,301	20,121	64,422
	5,808	1,222	7,030	People - Poverty & Prevention	5,799	1,125	6,924
	106,791	4,948	111,739	People - Social Services	112,896	5,138	118,034
	163,517	16,701	180,218	People - Education	166,480	20,095	186,575
	50,119	38,738	88,857	Place	53,952	26,991	80,943
	-33,426	8,944	-24,482	Housing Revenue Account (HRA)	-38,460	6,773	-31,687
	<b>342,832</b>	<b>57,204</b>	<b>400,036</b>	<b>Net Cost of Services</b>	<b>344,968</b>	<b>80,243</b>	<b>425,211</b>

## Expenditure and Funding Analysis

		2017/18			2018/19	
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments (Note 6a)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments (Note 6a)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
-340,125	-37,346	-377,471	Other Income and Expenditure	-352,931	-45,472	-398,403
2,707	19,858	22,565	(Surplus) or Deficit on Provision of Services	-7,963	34,771	26,808

Page 19

General Fund and HRA				General Fund and HRA		
-77,922			Opening Balance as at 1 April	-75,215		
2,707			Less/Plus Surplus or Deficit	-7,963		
-75,215			Closing Balance as at 31 March *	-83,178		

\* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement.

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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 (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017/18				Note	2018/19		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
135,629	-98,955	36,674	Resources		148,766	-84,344	64,422
19,298	-12,268	7,030	People - Poverty & Prevention		20,412	-13,488	6,924
159,320	-47,581	111,739	People - Social Services		167,652	-49,618	118,034
227,388	-47,170	180,218	People - Education		236,315	-49,740	186,575
188,564	-99,707	88,857	Place		178,276	-97,333	80,943
36,806	-61,288	-24,482	Housing Revenue Account (HRA)		34,225	-65,912	-31,687
<b>767,005</b>	<b>-366,969</b>	<b>400,036</b>	<b>Cost of Services</b>		<b>785,646</b>	<b>-360,435</b>	<b>425,211</b>
31,578	0	31,578	Other operating expenditure	11	34,671	0	34,671
64,472	-33,562	30,910	Financing and investment income and expenditure	12	74,508	-38,794	35,714
0	-439,959	-439,959	Taxation and non-specific grant income	13	0	-468,788	-468,788
		<b>22,565</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>26,808</b>
		<b>7,281</b>	<b>(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets</b>	22			<b>31,173</b>
		<b>4,320</b>	<b>Remeasurement of the net defined benefit liability/(asset)</b>	22			<b>49,260</b>
		<b>11,601</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>80,433</b>
		<b>34,166</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>107,241</b>

## Group Income and Expenditure Statement

2017/18				2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
135,629	-98,955	36,674	Resources	148,766	-84,344	64,422
19,298	-12,268	7,030	People - Poverty & Prevention	20,412	-13,488	6,924
159,320	-47,581	111,739	People - Social Services	167,652	-49,618	118,034
227,388	-47,170	180,218	People - Education	236,315	-49,740	186,575
188,564	-99,707	88,857	Place	178,307	-97,332	80,975
36,806	-61,288	-24,482	Housing Revenue Account (HRA)	34,225	-65,912	-31,687
<b>767,005</b>	<b>-366,969</b>	<b>400,036</b>	<b>Cost of Services</b>	<b>785,677</b>	<b>-360,434</b>	<b>425,243</b>
31,578	0	31,578	Other operating expenditure	34,671	0	34,671
64,472	-33,562	30,910	Financing and investment income and expenditure	74,508	-38,794	35,714
0	-439,959	-439,959	Taxation and non-specific grant income	0	-468,788	-468,788
		22,565	<b>(Surplus) or Deficit on Provision of Services</b>			26,840
		284	Share of the surplus or deficit on the provision of services by associates and joint ventures			308
		22,849	<b>Group (Surplus)/Deficit</b>			27,148
		-2,206	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			30,328

## Group Income and Expenditure Statement

2017/18				2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
		4,320	Actuarial losses / gains on pension assets / liabilities			49,260
		2,114	Other Comprehensive Income and Expenditure			79,588
		24,963	Total Comprehensive Income and Expenditure			106,736

## *Movement in Reserves Statement*

The Movement in Reserves 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 Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.



## Movement in Reserves Statement

	Note	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>2017/18</b>									
<b>Balance at 31 March 2017</b>		<b>12,360</b>	<b>55,741</b>	<b>9,821</b>	<b>6,092</b>	<b>14,927</b>	<b>98,941</b>	<b>285,546</b>	<b>384,487</b>
<b><u>Movement in reserves during 2017/18</u></b>									
(Deficit) on the provision of services		-48,264	0	25,699	0	0	-22,565	0	-22,565
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	-11,601	-11,601
<b>Total Comprehensive Income and Expenditure</b>		<b>-48,264</b>	<b>0</b>	<b>25,699</b>	<b>0</b>	<b>0</b>	<b>-22,565</b>	<b>-11,601</b>	<b>-34,166</b>
Adjustments between accounting basis & funding basis under regulations	8	48,597	0	-28,739	362	-1,453	18,767	-18,767	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>		<b>333</b>	<b>0</b>	<b>-3,040</b>	<b>362</b>	<b>-1,453</b>	<b>-3,798</b>	<b>-30,368</b>	<b>-34,166</b>
Transfers from/to Earmarked Reserves	10	-3,341	3,341	0	0	0	0	0	0
<b>Increase/Decrease in 2017/18</b>		<b>-3,008</b>	<b>3,341</b>	<b>-3,040</b>	<b>362</b>	<b>-1,453</b>	<b>-3,798</b>	<b>-30,368</b>	<b>-34,166</b>
<b>Balance at 31 March 2018 carried forward</b>		<b>9,352</b>	<b>59,082</b>	<b>6,781</b>	<b>6,454</b>	<b>13,474</b>	<b>95,143</b>	<b>255,178</b>	<b>350,321</b>

## Movement in Reserves Statement

2018/19	Note	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 2018</b>		<b>9,352</b>	<b>59,082</b>	<b>6,781</b>	<b>6,454</b>	<b>13,474</b>	<b>95,143</b>	<b>255,178</b>	<b>350,321</b>
<b><u>Movement in reserves during 2018/19</u></b>									
Surplus on the provision of services		-58,300	0	31,492	0	0	-26,808	0	-26,808
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	-80,433	-80,433
<b>Total Comprehensive Income and Expenditure</b>		<b>-58,300</b>	<b>0</b>	<b>31,492</b>	<b>0</b>	<b>0</b>	<b>-26,808</b>	<b>-80,433</b>	<b>-107,241</b>
Adjustments between accounting basis & funding basis under regulations	8	66,888	0	-32,117	2,856	1,981	39,608	-39,608	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>		<b>8,588</b>	<b>0</b>	<b>-625</b>	<b>2,856</b>	<b>1,981</b>	<b>12,800</b>	<b>-120,041</b>	<b>-107,241</b>
Transfers from/to Earmarked Reserves	10	-8,588	8,588	0	0	0	0	0	0
<b>Increase/Decrease in 2018/19</b>		<b>0</b>	<b>8,588</b>	<b>-625</b>	<b>2,856</b>	<b>1,981</b>	<b>12,800</b>	<b>-120,041</b>	<b>-107,241</b>
<b>Balance at 31 March 2019 carried forward</b>		<b>9,352</b>	<b>67,670</b>	<b>6,156</b>	<b>9,310</b>	<b>15,455</b>	<b>107,943</b>	<b>135,137</b>	<b>243,080</b>

## Group Movement in Reserves Statement

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2017/18	Note	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 2017</b>		<b>12,360</b>	<b>55,741</b>	<b>9,821</b>	<b>6,092</b>	<b>14,927</b>	<b>98,941</b>	<b>285,546</b>	<b>384,487</b>	<b>12,199</b>	<b>396,686</b>
<b><u>Movement in reserves during 2017/18</u></b>											
(Deficit) on the provision of services		-48,264	0	25,699	0	0	-22,565	0	-22,565	-284	-22,849
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	-11,601	-11,601	9,487	-2,114
<b>Total Comprehensive Income and Expenditure</b>		<b>-48,264</b>	<b>0</b>	<b>25,699</b>	<b>0</b>	<b>0</b>	<b>-22,565</b>	<b>-11,601</b>	<b>-34,166</b>	<b>9,203</b>	<b>-24,963</b>
Adjustments between group accounts & authority accounts		0	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	8	48,597	0	-28,739	362	-1,453	18,767	-18,767	0	0	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>		<b>333</b>	<b>0</b>	<b>-3,040</b>	<b>362</b>	<b>-1,453</b>	<b>-3,798</b>	<b>-30,368</b>	<b>-34,166</b>	<b>9,203</b>	<b>-24,963</b>
Transfers from/to Earmarked Reserves	10	-3,341	3,341	0	0	0	0	0	0	0	0
<b>Increase/Decrease in 2017/18</b>		<b>-3,008</b>	<b>3,341</b>	<b>-3,040</b>	<b>362</b>	<b>-1,453</b>	<b>-3,798</b>	<b>-30,368</b>	<b>-34,166</b>	<b>9,203</b>	<b>-24,963</b>
<b>Balance at 31 March 2018 carried forward</b>		<b>9,352</b>	<b>59,082</b>	<b>6,781</b>	<b>6,454</b>	<b>13,474</b>	<b>95,143</b>	<b>255,178</b>	<b>350,321</b>	<b>21,402</b>	<b>371,723</b>

## Group Movement in Reserves Statement

2018/19	Note	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 2018</b>		<b>9,352</b>	<b>59,082</b>	<b>6,781</b>	<b>6,454</b>	<b>13,474</b>	<b>95,143</b>	<b>255,178</b>	<b>350,321</b>	<b>21,402</b>	<b>371,723</b>
<b><u>Movement in reserves during 2018/19</u></b>											
Surplus on the provision of services		-58,300	0	31,492	0	0	-26,808	0	-26,808	-340	-27,148
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	-80,433	-80,433	845	-79,588
<b>Total Comprehensive Income and Expenditure</b>		<b>-58,300</b>	<b>0</b>	<b>31,492</b>	<b>0</b>	<b>0</b>	<b>-26,808</b>	<b>-80,433</b>	<b>-107,241</b>	<b>505</b>	<b>-106,736</b>
Adjustments between group accounts & authority accounts		0	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	8	66,888	0	-32,117	2,856	1,981	39,608	-39,608	0	0	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>		<b>8,588</b>	<b>0</b>	<b>-625</b>	<b>2,856</b>	<b>1,981</b>	<b>12,800</b>	<b>-120,041</b>	<b>-107,241</b>	<b>505</b>	<b>-106,736</b>
Transfers from/to Earmarked Reserves	10	-8,588	8,588	0	0	0	0	0	0	0	0
<b>Increase/Decrease in 2018/19</b>		<b>0</b>	<b>8,588</b>	<b>-625</b>	<b>2,856</b>	<b>1,981</b>	<b>12,800</b>	<b>-120,041</b>	<b>-107,241</b>	<b>505</b>	<b>-106,736</b>
<b>Balance at 31 March 2019 carried forward</b>		<b>9,352</b>	<b>67,670</b>	<b>6,156</b>	<b>9,310</b>	<b>15,455</b>	<b>107,943</b>	<b>135,137</b>	<b>243,080</b>	<b>21,907</b>	<b>264,987</b>

## 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'.

31 March 2018 £'000		Note	31 March 2019 £'000
378,177	Council Dwellings	14	373,917
631,283	Other Land and Buildings	14	645,285
7,905	Vehicles, Plant, Furniture and Equipment	14	7,311
239,519	Infrastructure Assets	14	240,766
9,771	Community Assets	14	9,383
87,092	Surplus Assets	14	82,483
29,905	Assets under Construction	14	21,393
<b>1,383,652</b>	<b>Property, Plant &amp; Equipment</b>		<b>1,380,538</b>
29,876	Heritage Assets	15	30,303
47,958	Investment Properties	16	57,758
458	Intangible Assets		225
124	Long Term Investments	17	119
3,072	Long Term Debtors	17	3,724
<b>1,465,140</b>	<b>Long Term Assets</b>		<b>1,472,667</b>
25,500	Short Term Investments	17	121,772
2,030	Assets Held for Sale		4,800
1,978	Inventories		2,156
45,045	Short Term Debtors	18	49,212
53,953	Cash and Cash Equivalents	19	47,237
<b>128,506</b>	<b>Current Assets</b>		<b>225,177</b>
-5,822	Short Term Borrowing	17	-6,870
-49,182	Short Term Creditors	20	-55,636
-2,854	Provisions	21	-2,263
<b>-57,858</b>	<b>Current Liabilities</b>		<b>-64,769</b>

## Balance Sheet

31 March 2018 £'000		Note	31 March 2019 £'000
-2,268	Long Term Creditors	17	-2,516
-10,189	Provisions	21	-9,702
-460,982	Long Term Borrowing	17	-554,373
-712,028	Other Long Term Liabilities	34	-823,404
<b>-1,185,467</b>	<b>Long Term Liabilities</b>		<b>-1,389,995</b>
<b>350,321</b>	<b>NET ASSETS</b>		<b>243,080</b>
	<b>Financed by:</b>		
9,352	Balances - General Fund		9,352
6,781	Balances - Housing Revenue Account	10	6,156
6,454	Capital Receipts Reserve		9,310
13,474	Capital Grants Unapplied Account		15,455
59,082	Earmarked Reserves	10	67,670
<b>95,143</b>	<b>Usable Reserves</b>		<b>107,943</b>
429,264	Revaluation Reserve	22	379,632
-712,028	Pensions Reserve	22	-823,404
548,857	Capital Adjustment Account	22	589,739
-2,221	Financial Instrument Adjustment Account	22	-2,252
-8,694	Accumulated Absences Account	22	-8,578
<b>255,178</b>	<b>Unusable Reserves</b>		<b>135,137</b>
<b>350,321</b>	<b>TOTAL RESERVES</b>		<b>243,080</b>

## Group Balance Sheet

31 March 2018 £'000		Note	31 March 2019 £'000
378,177	Council Dwellings	14	373,917
631,283	Other Land and Buildings	14	645,285
7,905	Vehicles, Plant, Furniture and Equipment	14	7,311
239,519	Infrastructure Assets	14	240,766
9,771	Community Assets	14	9,383
87,092	Surplus Assets	14	82,483
29,905	Assets under Construction	14	21,393
<b>1,383,652</b>	<b>Property, Plant &amp; Equipment</b>		<b>1,380,538</b>
29,876	Heritage Assets	15	30,303
47,958	Investment Properties	16	57,758
458	Intangible Assets		225
124	Long Term Investments	17	119
21,370	Investments in Associates and Joint Ventures		21,907
3,072	Long Term Debtors	17	3,724
<b>1,486,510</b>	<b>Long Term Assets</b>		<b>1,494,574</b>
25,500	Short Term Investments	17	121,772
2,030	Assets Held for Sale		4,800
1,978	Inventories		2,156
45,046	Short Term Debtors	18	49,212
53,984	Cash and Cash Equivalents	19	47,237
<b>128,538</b>	<b>Current Assets</b>		<b>225,177</b>
-5,822	Short Term Borrowing	17	-6,870
-49,182	Short Term Creditors	20	-55,636
-2,854	Provisions	21	-2,263
<b>-57,858</b>	<b>Current Liabilities</b>		<b>-64,769</b>
-2,268	Long Term Creditors	17	-2,516
-10,189	Provisions	21	-9,702
-460,982	Long Term Borrowing	17	-554,373
-712,028	Other Long Term Liabilities	34	-823,404
<b>-1,185,467</b>	<b>Long Term Liabilities</b>		<b>-1,389,995</b>
<b>371,723</b>	<b>NET ASSETS</b>		<b>264,987</b>

## Group Balance Sheet

31 March 2018 £'000		Note	31 March 2019 £'000
	<b>Financed by:</b>		
21,267	Balances - General Fund		20,927
6,781	Balances - Housing Revenue Account	10	6,156
6,454	Capital Receipts Reserve		9,310
13,474	Capital Grants Unapplied Account		15,455
59,082	Earmarked Reserves	10	67,670
<b>107,058</b>	<b>Usable Reserves</b>		<b>119,518</b>
438,751	Revaluation Reserve	22	389,964
-712,028	Pensions Reserve	22	-823,404
548,857	Capital Adjustment Account	22	589,739
-2,221	Financial Instrument Adjustment Account	22	-2,252
-8,694	Accumulated Absences Account	22	-8,578
<b>264,665</b>	<b>Unusable Reserves</b>		<b>145,469</b>
<b>371,723</b>	<b>TOTAL RESERVES</b>		<b>264,987</b>



## 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.

2017/18 £'000		Note	2018/19 £'000
-22,565	Net (deficit) on the provision of services		-26,808
78,552	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	23	107,826
-21,650	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	23	-34,775
<b>34,337</b>	<b>Net cash flows from operating activities</b>		<b>46,243</b>
-78,354	Purchase of property, plant and equipment, investment property and intangible assets		-89,802
-987,095	Purchase of short-term and long-term investments		-1,063,151
5,492	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		3,896
1,014,093	Proceeds from short-term and long-term investments		966,884
21,650	Other receipts from investing activities		34,775
<b>-24,214</b>	<b>Net cash flows from investing activities</b>		<b>-147,398</b>
47,168	Cash receipts of short-term and long-term borrowing		124,114
-33,476	Repayments of short-term and long-term borrowing		-29,675
<b>13,692</b>	<b>Net cash flows from financing activities</b>	24	<b>94,439</b>
<b>23,815</b>	<b>Net (decrease) or increase in cash and cash equivalents</b>		<b>-6,716</b>
30,138	Cash and cash equivalents at the beginning of the reporting period		53,953
<b>53,953</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>47,237</b>

## Group Cash Flow Statement

2017/18 £'000		Note	2018/19 £'000
-22,565	Net (deficit) on the provision of services		-26,840
78,552	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	23	107,827
-21,650	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	23	-34,775
<b>34,337</b>	<b>Net cash flows from operating activities</b>		<b>46,212</b>
-78,354	Purchase of property, plant and equipment, investment property and intangible assets		-89,802
-987,095	Purchase of short-term and long-term investments		-1,063,151
5,492	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		3,896
1,014,093	Proceeds from short-term and long-term investments		966,884
21,650	Other receipts from investing activities		34,775
<b>-24,214</b>	<b>Net cash flows from investing activities</b>		<b>-147,398</b>
47,168	Cash receipts of short-term and long-term borrowing		124,114
-33,476	Repayments of short-term and long-term borrowing		-29,675
<b>13,692</b>	<b>Net cash flows from financing activities</b>	24	<b>94,439</b>
<b>23,815</b>	<b>Net (decrease) or increase in cash and cash equivalents</b>		<b>-6,747</b>
30,169	Cash and cash equivalents at the beginning of the reporting period		53,984
<b>53,984</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>47,237</b>

## Notes to the Accounts

### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019.

The Authority is required to prepare an annual Statement of Accounts by virtue of the Accounts and Audit (Wales) (Amendment) Regulations 2018. 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 2018/19 (the Code), 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 Swansea Council'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 2018/19 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 Swansea Council has been undertaken, which has determined that the Swansea Council 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 Community Energy & Enterprise Scheme (SCEES)	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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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. Changes in Accounting Policies and Estimates and Errors**

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.

As part of a review of Property, Plant and Equipment changes in assumptions have been made regarding the remaining useful lives of some other land and building assets during 2018/19.

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 other land and building assets revalued as per the Authority's rolling programme between 1st April 2010 and 31st March 2016. Revenue charges for depreciation on assets, revalued as per the rolling programme from 1st April 2016, will be charged on the building component of Other Land and Buildings assets. Annual depreciation has been charged on opening balances from 1st April 2017.

### **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 Swansea Council.

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 People - Education 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 Swansea Council 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 projected 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 Swansea Council 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.
  - 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 Swansea Council 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.

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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost,
- fair value through profit or loss, and
- fair value through other comprehensive income.

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 financial assets held by the Authority, 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.

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.

### Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

## Notes to the Accounts

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Authority has a portfolio of a significant number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at fair value through profit or loss are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices - the market price.
- other instruments with fixed and determinable payments - discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the rerecognition of the asset are credited or debited to the Financing and Investment Income and 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. 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).

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).

## *Notes to the Accounts*

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.

### **xii. 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.

### **xiii. 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.

### xiv. 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.

### xv. 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 non-current 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.

### xvi. 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.

#### 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.

## Notes to the Accounts

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 - current 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 current 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.

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.

## Notes to the Accounts

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 charge 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). From 1st April 2017 the Authority charges depreciation based on opening balances.

Depreciation is calculated on the following bases:

- dwellings - straight-line allocation over the estimated useful life of the property (30 to 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, where applicable, its significant components (1 to 60 years),
- vehicles, plant, furniture and equipment - straight line allocation over the estimated useful life of the asset (2 to 10 years),

## Notes to the Accounts

- 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.

To 31st March 2016, the Authority deemed assets revalued during the year to be of a suitable significant nature. Asset valuation therefore reflected assessment of component apportionment of Building Fabric 79%, Mechanical 13%, Electrical 8% and respective remaining estimated useful economic life. From 1st April 2016, the Authority has deemed assets revalued under the 5 year rolling programme to be apportioned between land and buildings.

#### 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, had been identified for componentisation. From 1st April 2016, the whole building element will be depreciated using the building fabric's useful life (unless evidence suggests this is to be amended).

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.

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.

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.

## *Notes to the Accounts*

### **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. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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.

## *Notes to the Accounts*

### **xvii. 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.

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

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

In 2018/19 the Council settled £53k of unequal pay claims (including composite payments to HMRC). During 2017/18 the Council settled further unequal pay claims totalling £257k (including composite payments to HMRC). These were funded from existing provisions.

#### **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.

## *Notes to the Accounts*

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.

### **xviii. 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. 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 so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

### **xix. 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.

### **xx. 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.

## Notes to the Accounts

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 2019 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.

### xxi. 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.



### xxii. Group Accounting Policies

The accounting policies for both City and County of Swansea and City and County of Swansea Group are materially aligned except for the valuation of assets in respect of the Wales National Pool Swansea. The assets of the Wales National Pool Swansea have been valued on a different basis within the company's accounts to that used by the Council for assets of this nature. For the purposes of the Group accounts, the National Pool has been separately valued by the Council in accordance with its own accounting policies. Full disclosure of the different valuations have been included on page 121 to the financial statements.

### 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 2018/19 (the Code) has introduced accounting policy changes in relation to the following:

- a) Amendments to IAS 40 Investment Property: Transfers of Investment Property
- b) Annual Improvements to IFRS Standards 2014-2016 Cycle
- c) IFRIC 22 Foreign Currency Transactions and Advance Consideration
- d) IFRIC 23 Uncertainty over Income Tax Treatments
- e) Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

The adoption of 2a), 2c), 2d) and 2e) may incur amendments that can be made retrospectively by prior period restatement (if possible) or through the adjustment of opening balances as at 1st April 2019.

The adoption of amendments to 2b) will be made retrospectively by adjusting the opening balances at 1st April 2019.

Opening balances will be adjusted in the Authority and Group Accounts where the changes are material.

Accounting policy changes that are material will require the Authority to publish a third Balance Sheet for the beginning of the earliest comparative period for the Authority and Group Accounts.

### 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.

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

- The medium term financial plan approved by the Authority on 28th February 2019 detailed significant ongoing forecast revenue funding shortfalls over the medium term. Current indications are that there will be significant real terms reductions in Revenue and Capital support from Central Government from 2020/21 onwards, following the national Spending Review. 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 small and dwindling residual number of claims from past and existing employees based on equal pay grounds. In determining the extent of the resources 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 remaining 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 and will materially increase in 2019 and 2020. Employer rates increased from 14.1% to 16.48% and are due to rise to 23.6% from September 2019. One off Welsh Government specific grant is likely to alleviate this substantial pressure in 2019/20, with future support dependent upon the Spending Review. 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. The LGPS triennial valuation in 2016 has confirmed the affordability of future contribution rates and we now await the results of the 2019 valuation in the coming year.
- 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 Council's Capital Programme.

## Notes to the Accounts

- The Authority undertook 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 however there are no adjustments in 2018/19.

#### 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 2019 for which there is a significant risk of material adjustment in the forthcoming year are as follows:-

Item	Uncertainties	Effect if actual results differ from assumptions
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 during 2018/19 in line with professional judgement.	<p>To the extent that useful lives have been determined inappropriately the result could be:-</p> <p>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.</p> <p>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.</p> <p>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.</p>

## Notes to the Accounts

Item	Uncertainties	Effect if actual results differ from assumptions
Provisions	<p>The Authority has made a significant capital provision for the future remediation and maintenance of major land refuse disposal sites.</p> <p>Uncertainty arises because of the 60 year timescale for liability on this issue.</p>	<p>Any shortfall in future years will have to be funded via the capital programme.</p>
Pension liabilities	<p>The Authority's share of the Local Government pension fund liability as at 31st March 2019 is £823.404m. 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.</p>	<p>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.</p>
Insurance Provisions and Reserves	<p>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.</p>	<p>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.</p>

## 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 similar 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>14. Non-operational PPE (Surplus Assets) 16. Investment Properties 17. 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

There are no material items of income and expenditure in 2017/18 and 2018/19.

### 6a) Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2018/19						
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for Pension Adjustments (Note 2) £'000	Other Statutory Adjustments (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Resources	5,499	34,888	-76	40,311	-20,190	20,121
People - Poverty & Prevention	423	705	-3	1,125	0	1,125
People - Social Services	1,585	3,448	105	5,138	0	5,138
People - Education	20,652	-386	-225	20,041	54	20,095
Place	18,369	4,832	23	23,224	3,767	26,991
Housing Revenue Account (HRA)	5,938	719	8	6,665	108	6,773
<b>Net Cost of Services</b>	<b>52,466</b>	<b>44,206</b>	<b>-168</b>	<b>96,504</b>	<b>-16,261</b>	<b>80,243</b>
Other income and expenditure from the Expenditure and Funding Analysis	-79,674	17,910	31	-61,733	16,261	-45,472
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-27,208</b>	<b>62,116</b>	<b>-137</b>	<b>34,771</b>	<b>0</b>	<b>34,771</b>

## Notes to the Accounts

### Adjustments between Funding and Accounting Basis 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for Pension Adjustments (Note 2) £'000	Other Statutory Adjustments (Note 3) £'000	Total Statutory Adjustments £'000	Other (Non-statutory) Adjustments (Note 4) £'000	Total Adjustments £'000
Resources	4,335	2,021	122	6,478	-19,827	-13,349
People - Poverty & Prevention	479	729	14	1,222	0	1,222
People - Social Services	1,484	3,584	-120	4,948	0	4,948
People - Education	16,824	-233	56	16,647	54	16,701
Place	30,173	5,316	-153	35,336	3,402	38,738
Housing Revenue Account (HRA)	7,993	843	0	8,836	108	8,944
<b>Net Cost of Services</b>	<b>61,288</b>	<b>12,260</b>	<b>-81</b>	<b>73,467</b>	<b>-16,263</b>	<b>57,204</b>
Other income and expenditure from the Expenditure and Funding Analysis	-70,067	16,430	28	-53,609	16,263	-37,346
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-8,779</b>	<b>28,690</b>	<b>-53</b>	<b>19,858</b>	<b>0</b>	<b>19,858</b>

## Notes to the Accounts

### Adjustments for Capital Purposes

1) Adjustments for capital purposes - this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other operating expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** - the statutory charges for capital financing i.e. Minimum Revenue Provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net Change for Pension Adjustments

2) Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

For **services** this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### Other Statutory Adjustments

3) Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.



## Notes to the Accounts

### Other Non-statutory Adjustments

- 4) Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

For **Financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments e.g. for interest income and expenditure and changes in the fair values of investment properties.

For **Taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments e.g. for unringfenced government grants.

### 6b) Segmental Income

Income received on a segmental basis is analysed below:

Services	2018/19 Income from Services £'000	2017/18 Income from Services £'000
Resources	-84,301	-95,004
People - Poverty & Prevention	-13,488	-12,268
People - Social Services	-49,315	-46,946
People - Education	-49,183	-46,698
Place	-106,396	-107,134
Housing Revenue Account (HRA)	-65,965	-61,249
<b>Total income analysed on a segmental basis</b>	<b>-368,648</b>	<b>-369,299</b>

## Notes to the Accounts

### 7. Expenditure and Income Analysed by Nature

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

Expenditure/Income	2017/18 £'000	2018/19 £'000
<b>Expenditure</b>		
Employee expenses	351,063	382,868
Premises	45,518	49,468
Transport	27,608	28,420
Supplies & Services	106,551	100,721
Other Costs	223,885	229,272
Depreciation, amortisation and impairment	56,467	47,625
Interest payments	20,385	21,780
Precepts and levies	32,849	35,127
Gain or loss on the disposal of assets	-1,271	-456
<b>Total expenditure</b>	<b>863,055</b>	<b>894,825</b>
<b>Income</b>		
Fees, charges and other service income	-230,734	-240,808
Interest and investment income	-203	-760
Income from council tax	-109,236	-115,904
Government grants and contributions	-500,317	-510,545
<b>Total income</b>	<b>-840,490</b>	<b>-868,017</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>22,565</b>	<b>26,808</b>

The £240.81m (17/18 £230.73m) of fees, charges and other service income reported in the Comprehensive Income and Expenditure Statement includes £189.007m (17/18 £180.06m) of revenue recognised from contracts with service recipients.

### 8. 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.

## Notes to the Accounts

### 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.

### 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.

2018/19				
	Usable Reserves			
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'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)	60,501	1,615	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	31	0	0	0
- Holiday pay (transferred to the Accumulated Absences Reserve)	-123	7	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):	20,820	-3,247	0	1,981
<b>Total Adjustments to Revenue Resources</b>	<b>81,229</b>	<b>-1,625</b>	<b>0</b>	<b>1,981</b>

## Notes to the Accounts

2018/19				
	Usable Reserves			
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-456	0	3,896	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-10,946	-2,992	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-2,939	-27,500	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-14,341</b>	<b>-30,492</b>	<b>3,896</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>				
Use of Capital Receipts Reserve to finance capital expenditure	0	0	0	0
Cash payments in relation to deferred capital receipts	0	0	-1,040	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>-1,040</b>	<b>0</b>
<b>Total Adjustments</b>	<b>66,888</b>	<b>-32,117</b>	<b>2,856</b>	<b>1,981</b>

## Notes to the Accounts

### 2017/18 Comparative Figures

	Usable Reserves			
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'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)	27,026	1,590	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	17	-6	0	0
- Holiday pay (transferred to the Accumulated Absences Reserve)	57	74	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):	40,710	-1,165	0	-1,453
<b>Total Adjustments to Revenue Resources</b>	<b>67,810</b>	<b>493</b>	<b>0</b>	<b>-1,453</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-1,271	0	5,492	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-14,558	-2,882	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-3,392	-26,350	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-19,221</b>	<b>-29,232</b>	<b>5,492</b>	<b>0</b>

## Notes to the Accounts

2017/18 Comparative Figures				
	Usable Reserves			
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to Capital Resources</b>				
Use of Capital Receipts Reserve to finance capital expenditure	0	0	-14	0
Cash payments in relation to deferred capital receipts	0	0	-5,117	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>-5,131</b>	<b>0</b>
<b>Total Adjustments</b>	<b>48,589</b>	<b>-28,739</b>	<b>361</b>	<b>-1,453</b>

### 9. 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

### 10. Movements In 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 2018/19.

	Balance at 1st April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31st March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31st March 2019 £'000
<b>General Fund:</b>							
Balances held by schools under the scheme of delegation	7,575	-474	0	7,101	-1	1,500	8,600
Primary School Sickness Scheme Reserve	13	-13	158	158	-158	180	180
Information technology reserves	415	-24	1,092	1,483	-989	900	1,394
Development reserves	4,584	-73	159	4,670	-293	180	4,557
Insurance reserves	15,695	-10	1,116	16,801	-14	608	17,395
Restructuring Costs reserve	8,479	-801	0	7,678	-4,678	0	3,000
Other earmarked revenue reserves	13,400	-4,364	3,335	12,371	-2,584	1,830	11,617
Revenue reserve earmarked to fund future capital expenditure	5,580	169	3,071	8,820	0	12,107	20,927
<b>Total</b>	<b>55,741</b>	<b>-5,590</b>	<b>8,931</b>	<b>59,082</b>	<b>-8,717</b>	<b>17,305</b>	<b>67,670</b>
<b>HRA:</b>							
Housing Revenue Account	9,821	-3,040	0	6,781	-625	0	6,156
<b>Total</b>	<b>9,821</b>	<b>-3,040</b>	<b>0</b>	<b>6,781</b>	<b>-625</b>	<b>0</b>	<b>6,156</b>

## Notes to the Accounts

### 11. Other Operating Expenditure

2017/18 £'000		2018/19 £'000
965	Community Council precepts	1,403
19,525	South Wales Police Authority precept	21,008
12,359	Levies and Contributions	12,716
-1,271	Gains/losses on the disposals of non-current assets	-456
<b>31,578</b>		<b>34,671</b>

### 12. Financing and Investment Income and Expenditure

2017/18				2018/19		
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
20,384	0	20,384	Interest payable and similar charges	21,780	0	21,780
42,750	-26,320	16,430	Net interest on the net defined benefit liability (asset)	46,560	-28,650	17,910
0	-203	-203	Interest receivable and similar income	0	-760	-760
1,338	-7,039	-5,701	Income and expenditure in relation to investment properties and changes in their fair value	3,920	-9,384	-5,464
0	0	0	Impairment losses	2,248	0	2,248
<b>64,472</b>	<b>-33,562</b>	<b>30,910</b>		<b>74,508</b>	<b>-38,794</b>	<b>35,714</b>

The income generated from investment properties during the year amounted to £4.720m (2017/18 £4.226m) and changes to the fair value of investment properties amounted to £1.558m (2017/18 £2.154m).

### 13. Taxation and Non Specific Grant Income

2017/18 £'000		2018/19 £'000
-109,236	Council tax income (note 36)	-115,904
-79,531	Non domestic rates	-79,141
-231,169	Non-ringfenced government grants	-239,946
-19,518	Capital grants and contributions	-33,532
-505	Other grants	-265
<b>-439,959</b>		<b>-468,788</b>



## Notes to the Accounts

### 14. Property, Plant and Equipment

Movements in 2018/19:								
	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
<b>Cost or valuation</b>								
At 1 April 2018	389,718	657,942	37,962	389,664	15,989	87,592	29,905	1,608,772
additions (Cap Exp)	42,535	9,234	1,988	11,882	0	213	15,505	81,357
additions (Other)	0	0	511	0	0	100	0	611
revaluation increases / (decreases) recognised in the Revaluation Reserve	-54,726	-15,525	-18	0	0	809	0	-69,460
revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	10,077	-14,196	-2,445	0	-1,822	0	-8,386
impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	-737	0	-737
impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	-1,488	-52	0	0	-1,043	0	-2,583
derecognition - disposals	0	0	-1,584	0	0	-1,345	0	-2,929
assets reclassified to/from Held for Sale	0	-4,200	0	0	0	-580	0	-4,780

## Notes to the Accounts

### Movements in 2018/19 (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
assets under construction reclassified	13,014	10,889	64	14	0	0	-24,017	-36
other reclassifications	79	-758	0	0	0	679	0	0
<b>At 31 March 2019</b>	<b>390,620</b>	<b>666,171</b>	<b>24,675</b>	<b>399,115</b>	<b>15,989</b>	<b>83,866</b>	<b>21,393</b>	<b>1,601,829</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2018	-11,541	-26,659	-30,057	-150,145	-6,218	-500	0	-225,120
depreciation charge	-5,755	-23,880	-2,378	-11,173	-388	-1,451	0	-45,025
depreciation written out to the Revaluation Reserve	593	29,619	15	0	0	328	0	30,555
depreciation written out to the Surplus/Deficit on the Provision of Services	0	34	13,557	2,969	0	79	0	16,639
impairment losses recognised in the Revaluation Reserve	0	0	0	0	0	93	0	93
impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	68	0	68
derecognition - disposals	0	0	1,499	0	0	0	0	1,499
<b>At 31 March 2019</b>	<b>-16,703</b>	<b>-20,886</b>	<b>-17,364</b>	<b>-158,349</b>	<b>-6,606</b>	<b>-1,383</b>	<b>0</b>	<b>-221,291</b>
<b>Net Book Value</b>								
At 1 April 2018	378,177	631,283	7,905	239,519	9,771	87,092	29,905	1,383,652
<b>At 31 March 2019</b>	<b>373,917</b>	<b>645,285</b>	<b>7,311</b>	<b>240,766</b>	<b>9,383</b>	<b>82,483</b>	<b>21,393</b>	<b>1,380,538</b>

## Notes to the Accounts

### Comparative Movements in 2017/18:

	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
<b>Cost or valuation</b>								
At 1 April 2017	389,108	658,247	35,702	380,961	15,989	88,966	30,919	1,599,892
additions(Cap Exp)	43,174	8,401	3,625	8,692	79	581	13,205	77,757
additions(Other)	0	340	159	0	0	1,645	0	2,144
revaluation increases / (decreases) recognised in the Revaluation Reserve	-41,570	-17,008	0	0	0	5,970	0	-52,608
revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-2,208	133	0	0	-79	-5,085	0	-7,239
impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	-1,234	-592	0	0	0	0	-1,826
derecognition - Disposals	0	0	-932	0	0	-2,904	0	-3,836
assets reclassified to/from Held for Sale	0	0	0	0	0	-299	0	-299
assets under construction reclassified	1,190	9,407	0	11	0	3,611	-14,219	0
other reclassifications	24	-344	0	0	0	-4,893	0	-5,213
<b>At 31 March 2018</b>	<b>389,718</b>	<b>657,942</b>	<b>37,962</b>	<b>389,664</b>	<b>15,989</b>	<b>87,592</b>	<b>29,905</b>	<b>1,608,772</b>

## Notes to the Accounts

### Comparative Movements in 2017/18 (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
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2017	-5,793	-42,588	-28,580	-139,350	-5,830	-30	0	-222,171
depreciation charge	-5,748	-25,464	-2,319	-10,795	-388	-1,027	0	-45,741
depreciation written out to the Revaluation Reserve	0	40,102	0	0	0	216	0	40,318
depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,280	0	0	0	332	0	1,612
derecognition - disposals	0	0	842	0	0	20	0	862
other movements in depreciation and impairment	0	11	0	0	0	-11	0	0
<b>At 31 March 2018</b>	<b>-11,541</b>	<b>-26,659</b>	<b>-30,057</b>	<b>-150,145</b>	<b>-6,218</b>	<b>-500</b>	<b>0</b>	<b>-225,120</b>
<b>Net Book Value</b>								
<b>At 31 March 2018</b>	<b>378,177</b>	<b>631,283</b>	<b>7,905</b>	<b>239,519</b>	<b>9,771</b>	<b>87,092</b>	<b>29,905</b>	<b>1,383,652</b>
<b>At 1 April 2017</b>	<b>383,315</b>	<b>615,659</b>	<b>7,122</b>	<b>241,611</b>	<b>10,159</b>	<b>88,936</b>	<b>30,919</b>	<b>1,377,721</b>

### Capital Commitments

As at 31st March 2019 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £12.54m. Similar commitments at 31st March 2018 were £10.544m.

The major commitments are:

- Pentrehafod Comprehensive Refurbishment £436k
- Swansea Central development of detailed design and enabling works plus Civic Site potential development £2,624k
- Kingsway Digital Village £1,890k
- Sandfields Renewal Area £539k
- Bascule bridge refurbishment £513k
- Leisure Centre improvements £4,258k
- HRA Environmental Facilities Schemes £568k
- HRA Enveloping Properties schemes £1,447k
- HRA Highrise flats, Clyne & Jeffreys Court £263k

Swansea Council had two capital construction schemes which were undertaken by Dawnus Construction Ltd ("Dawnus"). Dawnus went into Administration on 15th March 2019 with the two schemes for the Kingsway Infrastructure and the Education other than at School new build being left incomplete. The Council is currently negotiating with the Administrators to determine if any liabilities are owed by the Council to Dawnus, this is a complex process which will take time to establish and as at 31st March 2019 there was no agreed capital commitment with Dawnus or the Administrators. The Council are currently in the process of negotiating to instruct new contractors to deliver the schemes.

### Revaluations

The Authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation dates for 2018/19 were 30th June 2018, 30th September 2018, 31st December 2018 and 31st March 2019.

The Authority has been following a 4 year rolling programme since 2016/17 and has not deviated from this which will ensure that all assets have been revalued in that time.

## Notes to the Accounts

The main asset groups revalued during 2018/19 and the remaining groups to be revalued under the current rolling programme are as follows:

Asset Category	2017/18	2018/19	2019/20
Other Land and Buildings	Schools, Community Centres, Changing Rooms, Pavilions, Homes for Older Persons and Car Parks	Offices, Libraries, Industrial (e.g. Depots), Civic Amenity Sites and Leisure Facilities	-
Surplus Assets	City Centre, Residential shared % and Agricultural	Industrial Estates and Residential Freehold	-
Council Dwellings	-	-	Council Houses / Flats and Sheltered Housing Complexes

Assets transferred from Assets Under Construction are also revalued each year.

In 2020/21, the rolling programme will be revised.

## 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 2019 and 31 March 2018 are as follows:

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31st March 2019	Fair value reclassified from Surplus prior to 31st March 2019	Fair Value reclassified to Surplus Assets prior to 31st March 2019			Fair value adjusted prior to IFRS 13 as at 31st March 2019	Fair value adjusted prior to IFRS 13 as at 31st March 2019 - Reclassified from Surplus Assets prior to 31st March 2019	Total Surplus Assets Value as at 31st March 2019
	(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	£'000
Long Leases @ Peppercorn Rent	0	0	0	0	0	0	0	0	0	0	0
Agricultural	0	0	537	537	0	0	0	0	0	0	537
City Centre	0	5,381	11,474	16,855	0	0	0	0	0	0	16,855
Industrial Units	0	0	3,485	3,485	0	0	0	0	0	0	3,485
Land only	0	1,236	44,476	45,712	-600	0	0	207	0	0	45,319
High Value	0	0	260	260	0	0	0	0	0	0	260
Residential Freeholds (LRA)	0	236	0	236	0	0	0	0	0	0	236
Residential shared %	0	0	1,012	1,012	-47	0	0	0	0	0	965
Miscellaneous	0	4,551	11,038	15,589	0	0	0	606	14	0	16,209
<b>Total</b>	<b>0</b>	<b>11,404</b>	<b>72,282</b>	<b>83,686</b>	<b>-647</b>	<b>0</b>	<b>0</b>	<b>813</b>	<b>14</b>	<b>0</b>	<b>83,866</b>

## Notes to the Accounts

### 2017/18 Comparative Figures

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31st March 2018	Fair value reclassified from Surplus prior to 31st March 2018	Fair Value reclassified to Surplus Assets prior to 31st March 2018			Fair value adjusted prior to IFRS 13 as at 31st March 2018	Fair value adjusted prior to IFRS 13 as at 31st March 2018 - Reclassified from Surplus Assets prior to 31st March 2018	Total Surplus Assets Value as at 31st March 2018
	(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	£'000
Long Leases @ Peppercorn Rent	0	0	0	0	0	0	0	0	0	0	0
Agricultural	0	0	537	537	0	0	0	0	0	0	537
City Centre	0	5,728	12,555	18,283	0	0	0	0	0	0	18,283
Industrial Units	0	0	2,152	2,152	0	0	0	0	154	0	2,306
Land only	0	1,236	44,673	45,909	0	0	0	553	0	0	46,462
High Value	0	0	260	260	0	0	0	0	0	0	260
Residential Freeholds (LRA)	0	0	0	0	0	0	0	0	297	0	297
Residential shared %	0	0	1,021	1,021	0	0	0	0	0	0	1,021
Miscellaneous	0	4,700	19,018	23,718	-5,361	0	0	55	14	0	18,426
<b>Total</b>	<b>0</b>	<b>11,664</b>	<b>80,216</b>	<b>91,880</b>	<b>-5,361</b>	<b>0</b>	<b>0</b>	<b>608</b>	<b>465</b>	<b>0</b>	<b>87,592</b>



## Notes to the Accounts

The Fair Value of 3 assets categorised as a Level 2 in the Fair Value hierarchy in 2017/18 has been determined using the income approach to valuation. However the tenant situation in some of the assets has changed and the significant inputs used to arrive at Fair Value are less observable than previously. This has resulted in the properties being categorised as a Level 3 in 2018/19.

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

#### Significant Observable Inputs - Level 2

The fair value for some 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

Long Lease @ Peppercorn Rent categorised with Level 3	31 March 2019 £'000	31 March 2018 £'000
Opening balance	0	1
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	0	0
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	0	0
Transfers to/from Property, Plant and Equipment	0	-1
<b>Closing Balance</b>	<b>0</b>	<b>0</b>

## Notes to the Accounts

Agricultural categorised with Level 3	31 March 2019 £'000	31 March 2018 £'000
Opening balance	537	0
Transfers In - Fair Value adjustment prior to IFRS13	0	128
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	0	409
<b>Closing Balance</b>	<b>537</b>	<b>537</b>

City Centre categorised with Level 3	31 March 2019 £'000	31 March 2018 £'000
Opening balance	12,555	9,927
Transfers In - Fair Value adjustment prior to IFRS13	0	2,356
Transfers into Level 3	452	631
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	-792	793
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-1,115	-1,152
Transfers to/from Property, Plant and Equipment	0	0
Additions	374	0
<b>Closing Balance</b>	<b>11,474</b>	<b>12,555</b>

Industrial Units categorised with Level 3	31 March 2019 £'000	31 March 2018 £'000
Opening balance	2,152	2,207
Transfers into Level 3	154	0
Transfers In - Fair Value adjustment prior to IFRS13	0	0
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	629	0
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	0	-5
Transfers to/from Property, Plant and Equipment	0	-50
Additions	550	0
<b>Closing Balance</b>	<b>3,485</b>	<b>2,152</b>

## Notes to the Accounts

Land Only categorised with Level 3	31 March 2019 £'000	31 March 2018 £'000
Opening balance	45,226	44,582
Transfers In - Fair Value adjustment prior to IFRS13	0	0
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	-105	220
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-1,462	1
Transfers to/from Property, Plant and Equipment	-393	553
Additions	1,962	1,400
Disposals	-1,145	-1,530
<b>Closing Balance</b>	<b>44,083</b>	<b>45,226</b>

High Value categorised with Level 3	31 March 2019 £'000	31 March 2018 £'000
Opening balance	260	260
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	0	0
Transfers to/from Property, Plant and Equipment	0	0
<b>Closing Balance</b>	<b>260</b>	<b>260</b>

Residential shared % categorised with Level 3	31 March 2019 £'000	31 March 2018 £'000
Opening balance	1,021	0
Transfers In - Fair Value adjustment prior to IFRS13	0	908
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	-9	120
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	0	-7
Transfers to/from Property, Plant and Equipment	-47	0
<b>Closing Balance</b>	<b>965</b>	<b>1,021</b>

## Notes to the Accounts

Miscellaneous categorised with Level 3	31 March 2019 £'000	31 March 2018 £'000
Opening balance	13,712	14,204
Transfers In - Fair Value adjustment prior to IFRS13	0	10
Transfers into Level 3	184	0
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	6	4,124
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-78	1,577
Transfers to/from Property, Plant and Equipment	606	-5,558
Additions	0	0
Disposals	-2,786	-645
<b>Closing Balance</b>	<b>11,644</b>	<b>13,712</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.

## Notes to the Accounts

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

	As at 31/03/2019 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Long Lease @ Peppercorn Rent	0	Nominal amount adopted to reflect Council's reversionary value	N/A	N/A	N/A - all £1,000
Agricultural	537	Market Approach	Land Value per acre	£2,000 - £5,000 per acre	Significant changes in land value and yield will result in significantly lower or higher fair value
City Centre	11,474	Market Approach	Rents	Zone A £150 to £1,000 per sq m	Significant changes in rent and yields will result in significantly lower or higher fair value
			Yield	4 - 8%	
Industrial Units	3,485	Market Approach	Yield	7-12%	Significant changes in rent and yields will result in significantly lower or higher fair value
			Rents	Various	
Land Only	44,083	Market Approach	Land Value per acre	£100,000 to £600,000 per acre	Significant changes in rent and yields will result in significantly lower or higher fair value
High Value	260	Market Approach	Yield	Various	Significant changes in rent and yields will result in significantly lower or higher fair value
			Rents	Various	
Residential shared %	965	Market Approach	Capital Value	£115,000 - £135,000	Significant changes in capital value will result in a change to the fair value
Miscellaneous	11,644	Market Approach	Yield	5 - 12%	Significant changes in rent and yields will result in significantly lower or higher fair value
			Rents	Various	
<b>TOTAL</b>	<b>72,448</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.

### 15. Heritage Assets

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

	Heritage Land, Buildings & Infrastructure £'000	Art & Museums £'000	Furniture, Fixtures & Fittings £'000	Other £'000	Total Assets £'000
<b>Cost or Valuation</b>					
At 1st April 2017	4,137	21,124	2,955	1,578	29,794
Additions (Cap Exp)	6	4	0	0	10
Additions (Other)	0	75	0	0	75
Revaluations recognised in the Revaluation Reserve	0	3	0	0	3
Revaluations recognised in the Surplus/Deficit on the Provision of Services	-6	0	0	0	-6
<b>At 31st March 2018</b>	<b>4,137</b>	<b>21,206</b>	<b>2,955</b>	<b>1,578</b>	<b>29,876</b>
<b>Cost or Valuation</b>					
At 1st April 2018	4,137	21,206	2,955	1,578	29,876
Additions (Cap Exp)	103	13	0	13	129
Additions (Other)	451	16	0	0	467
Revaluations recognised in the Revaluation Reserve	0	-6	0	0	-6
Revaluations recognised in the Surplus/Deficit on the Provision of Services	0	-17	0	-30	-47
Impairments recognised in the Surplus/Deficit on the Provision of Services	-139	0	0	-13	-152
Reclassifications	36	0	0	0	36
<b>At 31st March 2019</b>	<b>4,588</b>	<b>21,212</b>	<b>2,955</b>	<b>1,548</b>	<b>30,303</b>

## Notes to the Accounts

### Heritage Land, Buildings and Infrastructure

The Authority's heritage land, buildings and infrastructure assets are reported in the Balance Sheet at historic cost (e.g. Oystermouth Castle) and at valuation (e.g. Swiss Cottage, Singleton Park 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 mainly included at insurance valuation by external valuers. This category includes the Brangwyn Hall panels and other paintings also various exhibitions held by the Authority.

### Other

Most of the remaining assets included 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 County Archivist (e.g. West Glamorgan owned collections).

### 16. 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.

2017/18 £'000		2018/19 £'000
4,226	Rental income from investment property	4,720
-679	Direct operating expenses arising from investment property	-814
<b>3,547</b>	<b>Net gain</b>	<b>3,906</b>

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.

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

2017/18 £'000		2018/19 £'000
<b>40,375</b>	<b>Balance at start of the year</b>	<b>47,958</b>
	Additions:	
215	- Construction (Current)	8,242
2,154	Net gains/losses from fair value adjustments	1,558
5,214	Transfers to/from Property, Plant and Equipment	0
<b>47,958</b>	<b>Balance at end of the year</b>	<b>57,758</b>

## 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 2019 and 31 March 2018 are as follows:

#### 2018/19

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31st March	Fair value reclassified from Investment Properties prior to 31st March	Fair value reclassified to Investment Properties prior to 31st March			Fair value adjusted prior to IFRS13 as at 31st March	Fair value adjusted prior to IFRS13 - Reclassified from Investment Properties prior to 31st March	Total Investment Property Value as at 31st March	
	(Level 1)	(Level 2)	(Level 3)		(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	£'000	£'000
Enterprise Park	0	10,596	8,504	19,100	0	0	0	0	0	0	0	19,100
High Value	0	2,360	36,298	38,658	0	0	0	0	0	0	0	38,658
<b>Total</b>	<b>0</b>	<b>12,956</b>	<b>44,802</b>	<b>57,758</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>57,758</b>

#### 2017/18 Comparative Figures

Recurring fair value measurements using:	(Level 1)	(Level 2)	(Level 3)		(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Enterprise Park	0	9,630	8,528	18,158	0	0	0	0	0	0	0	18,158
High Value	0	4,099	20,340	24,439	0	0	0	0	5,361	0	0	29,800
<b>Total</b>	<b>0</b>	<b>13,729</b>	<b>28,868</b>	<b>42,597</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,361</b>	<b>0</b>	<b>0</b>	<b>47,958</b>



## Notes to the Accounts

The Fair Value of 2 assets categorised as a Level 2 in the Fair Value hierarchy in 2017/18 has been determined using the income approach to valuation. However the Authority has since acquired the head leasehold interest and due to the fact that our income is based on turnover and changes in RPI, this requires assumptions to be made therefore the inputs are much less observable. This has resulted in the properties being categorised as a Level 3 in 2018/19.

### 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. Sometimes 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).

Enterprise Park categorised within Level 3	31 March 2019 £'000	31 March 2018 £'000
Opening balance	8,528	8,271
Transfer into Level 3	0	0
Transfers In - Fair Value Adjusted prior to IFRS13	0	0
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-24	317
Transfers to/from Property, Plant and Equipment	0	-60
<b>Closing Balance</b>	<b>8,504</b>	<b>8,528</b>

## Notes to the Accounts

High Value categorised within Level 3	31 March 2019 £'000	31 March 2018 £'000
Opening balance	25,701	18,463
Transfer into Level 3	1,665	0
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	1,634	1,877
Transfers to/from Property, Plant and Equipment	0	5,361
Addition	7,298	0
<b>Closing Balance</b>	<b>36,298</b>	<b>25,701</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.

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

	As at 31/03/2019 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Enterprise Park	8,504	Market Approach	Yield	8 - 12%	Significant changes in rents and yields will result in significantly lower or higher fair value
			Rent	Various	
High Value	36,298	Market Approach	Yield	Various	Significant changes in rents and yields will result in significantly lower or higher fair value
			Rent	Various	
<b>TOTAL</b>	<b>44,802</b>				

## Notes to the Accounts

### 17. Financial Instruments

#### Categories of Financial Instruments

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

#### Financial Assets:

	Non-Current				Current				Totals	
	Investments		Debtors		Investments		Debtors		31st March 2019	31st March 2018
	31st March 2019	31st March 2018	31st March 2019	31st March 2018	31st March 2019	31st March 2018	31st March 2019	31st March 2018		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	0	0	0	0	0	0	0	0	0	0
Amortised cost	24	24	3,724	3,072	121,772	25,500	47,958	44,154	173,478	72,750
Fair value through other comprehensive income - designated equity instruments	0	0	0	0	0	0	0	0	0	0
Fair value through other comprehensive income - other	95	100	0	0	0	0	0	0	95	100
<b>Total financial assets</b>	<b>119</b>	<b>124</b>	<b>3,724</b>	<b>3,072</b>	<b>121,772</b>	<b>25,500</b>	<b>47,958</b>	<b>44,154</b>	<b>173,573</b>	<b>72,850</b>
Non-financial assets	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>119</b>	<b>124</b>	<b>3,724</b>	<b>3,072</b>	<b>121,772</b>	<b>25,500</b>	<b>47,958</b>	<b>44,154</b>	<b>173,573</b>	<b>72,850</b>

#### Financial Liabilities:

	Non-Current				Current				Totals	
	Borrowings		Creditors		Borrowings		Creditors		31st March 2019	31st March 2018
	31st March 2019	31st March 2018	31st March 2019	31st March 2018	31st March 2019	31st March 2018	31st March 2019	31st March 2018		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	0	0	0	0	0	0	0	0	0	0
Amortised cost	554,373	460,982	2,516	2,268	6,870	5,822	48,430	42,721	612,189	511,793
<b>Total financial liabilities</b>	<b>554,373</b>	<b>460,982</b>	<b>2,516</b>	<b>2,268</b>	<b>6,870</b>	<b>5,822</b>	<b>48,430</b>	<b>42,721</b>	<b>612,189</b>	<b>511,793</b>
Non-financial liabilities	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>554,373</b>	<b>460,982</b>	<b>2,516</b>	<b>2,268</b>	<b>6,870</b>	<b>5,822</b>	<b>48,430</b>	<b>42,721</b>	<b>612,189</b>	<b>511,793</b>

## Notes to the Accounts

### Income, Expense, Gains and Losses

	2018/19		2017/18	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
<b>Net gains/losses on:</b>				
Financial assets measured at fair value through profit or loss	0	0	0	0
Financial assets measured at amortised cost	0	0	0	0
Investments in equity instruments designated at fair value through other comprehensive income	0	0	0	0
Financial assets measured at fair value through other comprehensive income	0	0	0	0
Financial liabilities measured at fair value through profit or loss	0	0	0	0
Financial liabilities measured at amortised cost	0	0	0	0
<b>Total net gains/losses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	846	0	264	0
Other financial assets measured at fair value through other comprehensive income	0	0	0	0
<b>Total interest revenue</b>	<b>846</b>	<b>0</b>	<b>264</b>	<b>0</b>
<b>Interest expense</b>	<b>-21,621</b>	<b>0</b>	<b>-20,321</b>	<b>0</b>
<b>Fee income:</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	0	0	0	0
Trust and other fiduciary activities	0	0	0	0
<b>Total fee income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fee expense:</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	0	0	0	0
Trust and other fiduciary activities	0	0	0	0
<b>Total fee expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Accounts

### Fair Values of Assets and Liabilities that are not measured at Fair Value

Except for the financial assets carried at fair value, all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost. 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 values calculated are as follows:

#### Financial Liabilities

	2018/19		2017/18	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities held at amortised cost	542,083	774,352	452,084	667,921
Long-term creditors	48,430	48,430	44,989	44,989
<b>Total</b>	<b>590,513</b>	<b>822,782</b>	<b>497,073</b>	<b>712,910</b>

The fair value of borrowings is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

#### Financial Assets

	2018/19		2017/18	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£'000	£'000	£'000	£'000
Financial assets held at amortised cost	121,773	121,773	25,500	25,500
Long-term debtors	51,682	51,682	47,226	47,226
<b>Total</b>	<b>173,455</b>	<b>173,455</b>	<b>72,726</b>	<b>72,726</b>

The fair value of the financial assets is equivalent to the carrying amount because the authority's portfolio of investments comprises of short dated investments whose fair value is equivalent to the carrying value as at 31st March 2019.

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

## Notes to the Accounts

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

	31 March 2019			
	Quoted prices in active markets for identical assets  (Level 1) £'000	Other significant observable inputs  (Level 2) £'000	Significant unobservable inputs  (Level 3) £'000	Total £'000
<b>Recurring fair value measurements using:</b>				
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost:</i>				
Loans/borrowings	0	0	0	0
Long-term creditors	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financial assets</b>				
<i>Financial assets held at amortised cost:</i>				
Other financial assets	0	1,770	0	1,770
<b>Total</b>	<b>0</b>	<b>1,770</b>	<b>0</b>	<b>1,770</b>

	31 March 2018 Comparative Year			
	Quoted prices in active markets for identical assets  (Level 1) £'000	Other significant observable inputs  (Level 2) £'000	Significant unobservable inputs  (Level 3) £'000	Total £'000
<b>Recurring fair value measurements using:</b>				
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost:</i>				
Loans/borrowings	0	0	0	0
Long-term creditors	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financial assets</b>				
<i>Financial assets held at amortised cost:</i>				
Other financial assets	0	1,770	0	1,770
<b>Total</b>	<b>0</b>	<b>1,770</b>	<b>0</b>	<b>1,770</b>

## Notes to the Accounts

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the previous table 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 2019 of 0.55% to 1.06% for loans receivable, based on new lending rates for equivalent loans at that date	- estimated ranges of interest rates at 31 March 2019 of 1.68% to 2.60% 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

### 18. Short Term Debtors

Restated Authority 31st March 2018 £'000	Restated Group 31st March 2018 £'000		Authority 31st March 2019 £'000	Group 31st March 2019 £'000
12,041	12,042	Trade receivables	14,037	14,037
2,488	2,488	Prepayments	2,267	2,267
30,516	30,516	Other receivable amounts	32,908	32,908
<b>45,045</b>	<b>45,046</b>	<b>Total</b>	<b>49,212</b>	<b>49,212</b>

The £14.037m (17/18 £12.041m) of trade receivables are receivables from contracts with service recipients. The trade receivables figure of £14.037m (17/18 £12.041m) includes £5.750m (17/18 £5.930m) for the impairment losses recognised on receivables arising from contracts with service recipients.

The 2018/19 CIPFA Code has removed the disclosure requirement for the analysis of debtors across public sector organisations. The 2017/18 figures have been restated to reflect the new disclosure requirements.

### 19. Cash and Cash Equivalents

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

Authority 31st March 2018 £'000	Group 31st March 2018 £'000		Authority 31st March 2019 £'000	Group 31st March 2019 £'000
-662	-662	Cash held by the Authority	-785	-785
54,615	54,646	Bank current accounts	48,022	48,022
<b>53,953</b>	<b>53,984</b>	<b>Total Cash and Cash Equivalents</b>	<b>47,237</b>	<b>47,237</b>

### 20. Short Term Creditors

Restated Authority 31st March 2018 £'000	Restated Group 31st March 2018 £'000		Authority 31st March 2019 £'000	Group 31st March 2019 £'000
25,053	25,053	Trade payables	34,895	34,895
24,129	24,129	Other payables	20,741	20,741
<b>49,182</b>	<b>49,182</b>	<b>Total</b>	<b>55,636</b>	<b>55,636</b>

The 2018/19 CIPFA Code has removed the disclosure requirement for the analysis of creditors across public sector organisations. The 2017/18 figures have been restated to reflect the new disclosure requirements.



## 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 2018</b>	55	1,572	261	966	<b>2,854</b>
Additional provisions made in 2018/19	0	1,011	0	0	<b>1,011</b>
Amounts used in 2018/19	-25	-1,292	-53	-106	<b>-1,476</b>
Unused amounts reversed in 2018/19	0	-1,326	-208	-324	<b>-1,858</b>
Transfer from long term to short term	0	1,732	0	0	<b>1,732</b>
<b>Balance at 31 March 2019</b>	<b>30</b>	<b>1,697</b>	<b>0</b>	<b>536</b>	<b>2,263</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 2018</b>	0	3,465	0	6,724	<b>10,189</b>
Additional provisions made in 2018/19	0	1,770	50	256	<b>2,076</b>
Amounts used in 2018/19	0	0	0	-831	<b>-831</b>
Unused amounts reversed in 2018/19	0	0	0	0	<b>0</b>
Transfer from long term to short term	0	-1,732	0	0	<b>-1,732</b>
<b>Balance at 31 March 2019</b>	<b>0</b>	<b>3,503</b>	<b>50</b>	<b>6,149</b>	<b>9,702</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 (£4.607m) for the future remediation and maintenance of major land refuse disposal sites. Of the £4.607m, £1.824m is likely to be settled within the next ten years and the remaining £2.783m over the next forty years.

### 22. Unusable Reserves

Authority	Group		Authority	Group
31st March 2018 £'000	31st March 2018 £'000		31st March 2019 £'000	31st March 2019 £'000
429,264	438,751	Revaluation Reserve	379,632	389,964
548,857	548,857	Capital Adjustment Account	589,739	589,739
-2,221	-2,221	Financial Instruments Adjustment Account	-2,252	-2,252
-712,028	-712,028	Pensions Reserve	-823,404	-823,404
-8,694	-8,694	Accumulated Absences Account	-8,578	-8,578
<b>255,178</b>	<b>264,665</b>	<b>Total Unusable Reserves</b>	<b>135,137</b>	<b>145,469</b>

### 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

Authority	Group		Authority	Group
2017/18	2017/18		2018/19	2018/19
£'000	£'000		£'000	£'000
<b>454,146</b>	<b>454,146</b>	<b>Balance at 1st April</b>	<b>429,264</b>	<b>438,751</b>
		Upward revaluation of assets -		
13,271	22,758	Cost	601	1,446
35,404	35,404	Depreciation	33,222	33,222
		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services -		
-63,881	-63,881	Cost	-70,253	-70,253
7,912	7,912	Depreciation	5,257	5,257
<b>-7,294</b>	<b>2,193</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>-31,173</b>	<b>-30,328</b>
-15,895	-15,895	Difference between fair value depreciation and historical cost depreciation	-16,227	-16,227
-1,693	-1,693	Accumulated gains on assets sold or scrapped	-2,232	-2,232
<b>-17,588</b>	<b>-17,588</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>-18,459</b>	<b>-18,459</b>
<b>429,264</b>	<b>438,751</b>	<b>Balance at 31st March</b>	<b>379,632</b>	<b>389,964</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or subsequent costs of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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 subsequent costs.

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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## Notes to the Accounts

2017/18 £'000		2018/19 £'000
<b>521,269</b>	<b>Balance at 1st April</b>	<b>548,857</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
-47,641	Charges for depreciation and impairment of non-current assets	-47,692
-8,634	Revaluation losses on Property, Plant and Equipment	243
-192	Amortisation of intangible assets	-175
-6,946	Revenue expenditure funded from capital under statute (REFCUS)	-6,299
-4,222	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-3,440
<b>-67,635</b>		<b>-57,363</b>
17,588	Adjusting amounts written out of the Revaluation Reserve	18,459
<b>-50,047</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>-38,904</b>
	<b>Capital financing applied in the year:</b>	
5,131	Use of the Capital Receipts Reserve to finance new capital expenditure	1,040
23,167	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	32,811
17,440	Statutory provision for the financing of the capital investment charged against the General Fund and HRA balances	13,938
29,743	Capital expenditure charged against the HRA and General Fund balances	30,439
<b>75,481</b>		<b>78,228</b>
2,154	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,558
<b>548,857</b>	<b>Balance at 31st March</b>	<b>589,739</b>

## 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.

2017/18 £'000		2018/19 £'000
<b>-679,092</b>	<b>Balance at 1st April</b>	<b>-712,028</b>
-4,320	Remeasurements of the net defined benefit liability/(asset)	-49,260
-69,760	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	-73,040
-4,730	Past service cost adjustment	-35,350
45,874	Employer's pensions contributions and direct payments to pensioners payable in the year	46,274
<b>-712,028</b>	<b>Balance at 31st March</b>	<b>-823,404</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.

2017/18 £'000		2018/19 £'000
-8,562	<b>Balance at 1st April</b>	-8,694
8,562	Settlement or cancellation of accrual made at the end of the preceding year	8,694
-8,694	Amounts accrued at the end of the current year	-8,578
-132	<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	116
-8,694	<b>Balance at 31st March</b>	-8,578

### 23. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18 £'000		2018/19 £'000
203	Interest received	760
-20,384	Interest paid	-21,780
-20,181		-21,020

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

Authority 2017/18 £'000	Group 2017/18 £'000		Authority 2018/19 £'000	Group 2018/19 £'000
56,275	56,275	Depreciation	47,449	47,449
-2,154	-2,154	Impairment and downward revaluations	-1,558	-1,558
192	192	Amortisation	175	175
-2,576	-2,576	Increase/(decrease) in creditors	6,704	6,704
944	944	(Increase)/decrease in debtors	-4,896	-4,895
151	151	(Increase)/decrease in inventories	-178	-178
28,616	28,616	Movement in pension liability	62,116	62,116

## Notes to the Accounts

Authority	Group		Authority	Group
2017/18	2017/18		2018/19	2018/19
£'000	£'000		£'000	£'000
-4,222	-4,222	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-3,440	-3,440
1,326	1,326	Other non-cash items charged to the net surplus or deficit on the provision of services	1,454	1,454
<b>78,552</b>	<b>78,552</b>		<b>107,826</b>	<b>107,827</b>

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

2017/18		2018/19
£'000		£'000
-21,650	Any other items for which the cash effects are investing or financing cash flows	-34,775
<b>-21,650</b>		<b>-34,775</b>

### 24. Reconciliation of Liabilities arising from Financing Activities

	2018/19	Financing cash flows	Non-cash changes		2018/19
	1 April		Acquisition	Other non-cash changes	31 March
	£'000		£'000	£'000	£'000
Long-term borrowings	460,982	93,391	0	0	554,373
Short-term borrowings	5,822	1,048	0	0	6,870
Lease liabilities	0	0	0	0	0
<b>Total liabilities from financing activities</b>	<b>466,804</b>	<b>94,439</b>	<b>0</b>	<b>0</b>	<b>561,243</b>

### 25. 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.

## Notes to the Accounts

### 2018/19

	Turnover £'000	Expenditure £'000	Surplus/- Deficit £'000
Council Car Parks	4,966	1,854	3,112
Grand Theatre	3,404	4,685	-1,281
Indoor Market	1,052	893	159
Council Catering including school meals	7,081	7,886	-805
Trade Waste	2,281	1,789	492
Swansea Marina	296	262	34
	<b>19,080</b>	<b>17,369</b>	<b>1,711</b>

### 2017/18

	Turnover £'000	Expenditure £'000	Surplus/- Deficit £'000
Council Car Parks	4,448	1,732	2,716
Grand Theatre	2,948	4,419	-1,471
Indoor Market	1,156	822	334
Council Catering including school meals	6,815	7,209	-394
Trade Waste	2,222	1,709	513
Swansea Marina	2,490	187	2,303
	<b>20,079</b>	<b>16,078</b>	<b>4,001</b>

## 26. Members' Allowances

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

	2017/18 £'000	2018/19 £'000
Allowances	1,521	1,540
Expenses	19	23
<b>Total</b>	<b>1,540</b>	<b>1,563</b>



## Notes to the Accounts

### 27. 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 - 2018/19**

	Remuneration (including Fees & Allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (24.4%) £	Total remuneration including pension contributions £
Chief Executive (a) *	145,670	0	145,670	35,544	181,214
Deputy Chief Executive & Director of Resources (b)	48,844	0	48,844	11,918	60,762
Director People (c)	32,306	0	32,306	7,883	40,189
Director Place	104,051	0	104,051	25,388	129,439
Head of Education Planning and Resources	66,863	0	66,863	16,314	83,177
Head of Planning & City Regeneration	84,905	0	84,905	20,717	105,622
Head of Communications & Marketing	74,292	0	74,292	18,127	92,419
Interim Director Resources (d)	68,985	0	68,985	16,833	85,818
Chief Transformation Officer (e)	30,071	0	30,071	7,337	37,408
Head of Financial Services & Service Centre (f)	26,446	0	26,446	6,453	32,899
Section 151 Officer & Chief Finance Officer (g)	65,917	0	65,917	16,004	81,921
Head of Legal, Democratic Services & Business Intelligence (h)	26,446	0	26,446	6,453	32,899
Monitoring Officer & Chief Legal Officer (i)	60,611	0	60,611	14,699	75,310
Head of Poverty & Prevention (j)	74,292	0	74,292	18,127	92,419
Interim Head of Digital & Transformation (k)	47,759	0	47,759	11,653	59,413
Head of Waste, Cleansing & Parks	84,905	0	84,905	20,717	105,622
<b>Balance c/f</b>	<b>1,042,364</b>	<b>0</b>	<b>1,042,364</b>	<b>254,167</b>	<b>1,296,531</b>

## Notes to the Accounts

**Table 1 - 2018/19 continued**

	Remuneration (including Fees & Allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (24.4%) £	Total remuneration including pension contributions £
<b>Balance b/f</b>	<b>1,042,364</b>	<b>0</b>	<b>1,042,364</b>	<b>254,167</b>	<b>1,296,531</b>
Head of Cultural Services	84,905	0	84,905	20,717	105,622
Head of Highways and Transportation	85,571	0	85,571	20,717	106,288
Chief Social Services Officer (l)	33,455	0	33,455	8,163	41,618
Director of Social Services (m)	72,344	0	72,344	17,652	89,996
Head of Child and Family	79,599	0	79,599	19,422	99,021
Head of Adult Services (n)	66,092	0	66,092	16,126	82,218
Interim Head of Adult Services (o)	30,072	0	30,072	7,338	37,410
Head of Commercial Services	74,292	0	74,292	18,127	92,419
Chief Education Officer (p)	32,323	0	32,323	7,887	40,210
Director of Education (q) (ab)	69,337	0	69,337	16,918	86,255
Head of Achievement & Partnership Service	87,298	0	87,298	21,301	108,599
Interim Head of Corporate Building Services (r)	28,359	0	28,359	6,919	35,278
Head of Building Services (s)	39,287	0	39,287	9,586	48,873
Interim Head of Corporate Property services (t)	28,339	0	28,339	6,915	35,254
Head of Property Services (u)	39,813	0	39,813	9,585	49,398
Head of Vulnerable Learner Service (ac)	56,190	0	56,190	13,711	69,901
Head of Housing & Public Protection (v)	2,089	70,241	72,330	339	72,669
Interim Head of Housing & Public Protection (w)	29,702	0	29,702	7,248	36,950
<b>Balance c/f</b>	<b>1,981,431</b>	<b>70,241</b>	<b>2,051,672</b>	<b>482,838</b>	<b>2,534,510</b>

## Notes to the Accounts

**Table 1 - 2018/19 continued**

	Remuneration (including Fees & Allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (24.4%) £	Total remuneration including pension contributions £
<b>Balance b/f</b>	<b>1,981,431</b>	<b>70,241</b>	<b>2,051,672</b>	<b>482,838</b>	<b>2,534,510</b>
Head of Housing & Public Health (x)	39,284	0	39,284	9,585	48,869
Deputy Monitoring Officer & Deputy Chief Legal Officer (y)	43,163	0	43,163	10,442	53,605
Interim Deputy Section 151 Officer & Interim Deputy Chief Finance Officer (z)	29,664	0	29,664	7,121	36,785
Interim Chief Executive (aa)	10,869	0	10,869	0	10,869
Interim Director of Education (ad)	18,702	0	18,702	4,563	23,265
<b>Total</b>	<b>2,123,112</b>	<b>70,241</b>	<b>2,193,353</b>	<b>514,549</b>	<b>2,707,902</b>

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\* In 2018/19 the Chief Executive received additional remuneration of £1,777 for Returning Officer Fees relating to General and European Elections. There is no additional remuneration to the Chief Executive for any local elections.

No bonus payments or benefit in kind payments were made to the Officers detailed in these notes.

- (a) The Chief Executive is on long term sick so an Interim Chief Executive has been appointed on a short-term basis.
- (b) The Deputy Chief Executive and Director of Resources commenced on 29th October 2018.
- (c) The Director of People left the Authority on 17th July 2018.
- (d) The Interim Director of Resources reverted back to the Chief Transformation Officer since 1st December 2018.
- (e) The Chief Transformation Officer re-commenced on 1st December 2018.

## Notes to the Accounts

- (f) The Head of Financial Services and Service Centre is the Section 151 Officer and Chief Finance Officer since 30th July 2018.
- (g) The Section 151 Officer and Chief Finance Officer commenced on 30th July 2018.
- (h) The Head of Legal, Democratic Services and Business Intelligence is the Monitoring Officer and Chief Legal Officer since 30th July 2018.
- (i) The Monitoring Officer and Chief Legal Officer commenced on 30th July 2018.
- (j) The Head of Poverty and Prevention left the Authority on 31st March 2019.
- (k) The Interim Head of Digital and Transformation post came to an end on 1st December 2018.
- (l) The Chief Social Services Officer is the Director of Social Services since 30th July 2018.
- (m) The Director of Social Services commenced on 30th July 2018.
- (n) The Head of Adult Services is on maternity leave since 12th November 2018.
- (o) The Interim Head of Adult Services was remunerated from 25th October 2018 in a handover period prior to the Head of Adult Services going on maternity leave on 12th November 2018.
- (p) The Chief Education Officer is the Director of Education since 30th July 2018.
- (q) The Director of Education commenced on 30th July 2018.
- (r) The Interim Head of Corporate Building Services is the Head of Building Services since 6th September 2018.
- (s) The Head of Building Services commenced on 6th September 2018.
- (t) The Interim Head of Corporate Property Services is the Head of Property Services since 6th September 2018.
- (u) The Head of Property Services commenced on 6th September 2018.
- (v) The Head of Housing and Public Protection retired on 6th April 2018.
- (w) The Interim Head of Housing and Public Protection is the Head of Housing and Public Health since 6th September 2018.
- (x) The Head of Housing and Public Health commenced on 6th September 2018.
- (y) The Deputy Monitoring Officer and Deputy Chief Legal Officer commenced on 30th July 2018.
- (z) The Interim Deputy Section 151 Officer and Interim Deputy Chief Finance Officer commenced on 1st October 2018.
- (aa) The Interim Chief Executive commenced on 13th February 2019.
- (ab) The Director of Education is on long term sick so an Interim Director of Education has been appointed.
- (ac) The Head of Vulnerable Learner Service is the Interim Director of Education since 25th January 2019.
- (ad) The Interim Director of Education commenced on 25th January 2019.

## 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 - 2017/18**

	Remuneration (including Fees & Allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (23.4%) £	Total remuneration including pension contributions £
Chief Executive *	142,814	0	142,814	33,418	176,232
Director People	107,111	0	107,111	25,064	132,175
Director Resources (a)	18,983	0	18,983	4,343	23,326
Director Place	101,968	0	101,968	23,739	125,707
Chief Transformation Officer (b)	25,422	0	25,422	5,949	31,371
Head of Education Planning and Resources	72,835	0	72,835	17,043	89,878
Head of Housing & Public Protection (c)	83,240	0	83,240	19,478	102,718
Head of Planning & City Regeneration	83,240	0	83,240	19,478	102,718
Head of Communications & Marketing	72,835	0	72,835	17,043	89,878
Head of Human Resources (d)	70,870	48,889	119,759	16,790	136,549
Interim Director Resources (e)	69,614	0	69,614	16,290	85,904
Head of Financial Services & Service Centre (f)	71,951	0	71,951	16,764	88,715
Interim Head of Legal and Democratic Services (g)	6,720	0	6,720	1,572	8,292
Head of Legal, Democratic Services & Business Intelligence (h)	74,237	0	74,237	17,297	91,534
<b>Balance c/f</b>	<b>1,001,841</b>	<b>48,889</b>	<b>1,050,730</b>	<b>234,269</b>	<b>1,284,999</b>

## Notes to the Accounts

**Table 1 - 2017/18 continued**

	Remuneration (including Fees & Allowances) £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (23.4%) £	Total remuneration including pension contributions £
<b>Balance b/f</b>	<b>1,001,841</b>	<b>48,889</b>	<b>1,050,730</b>	<b>234,269</b>	<b>1,284,999</b>
Head of Poverty & Prevention	70,234	0	70,234	16,435	86,669
Head of Digital & Transformation (i)	30,926	0	30,926	7,237	38,163
Head of Waste Management & Parks	83,240	0	83,240	19,478	102,718
Head of Cultural Services	80,639	0	80,639	18,870	99,509
Head of Education Improvement (j)	71,534	0	71,534	16,739	88,273
Head of Highways and Transportation	83,554	0	83,554	19,478	103,032
Chief Social Services Officer	101,449	0	101,449	23,739	125,188
Head of Child and Family Services	75,436	0	75,436	17,652	93,088
Head of Adult Services	72,835	0	72,835	17,043	89,878
Head of Commercial Services	72,835	0	72,835	17,043	89,878
Chief Education Officer	95,097	0	95,097	22,253	117,350
Head of Achievement & Partnership Service (k)	14,307	0	14,307	3,348	17,655
Interim Head of Corporate Building Services (l)	59,483	0	59,483	13,905	73,388
Interim Head of Corporate Property services (m)	59,671	0	59,671	13,842	73,512
Head of Vulnerable Learner Service (n)	11,272	0	11,272	2,638	13,910
Interim Head of Housing and Public Protection (o)	5,636	0	5,636	1,319	6,955
<b>Total</b>	<b>1,989,989</b>	<b>48,889</b>	<b>2,038,878</b>	<b>465,287</b>	<b>2,504,165</b>

## Notes to the Accounts

\* In 2017/18 the Chief Executive received additional remuneration of £5,845 for Returning Officer Fees relating to General and European Elections. There is no additional remuneration to the Chief Executive for any local elections.

No bonus payments or benefit in kind payments were made to the Officers detailed in these notes.

- (a) The Director of Resources retired on 31st May 2017.
- (b) The Chief Transformation Officer is the Interim Director of Resources since 17th July 2017.
- (c) The Head of Housing and Public Protection will be retiring on 6th April 2018.
- (d) The Head of Human Resources took voluntary redundancy on 31st March 2018.
- (e) The Interim Director of Resources commenced on 17th July 2017.
- (f) The Head of Financial Services and Service Centre commenced on 1st May 2017.
- (g) The interim Head of Legal and Democratic Services is the Head of Legal, Democratic Services and Business Intelligence since 1st May 2017.
- (h) The Head of Legal, Democratic Services and Business Intelligence commenced on 1st May 2017.
- (i) The Head of Digital and Transformation commenced on 16th October 2017.
- (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. The Head of Education Improvement is the Head of Achievement and Partnership Service since 1st February 2018.
- (k) The Head of Achievement and Partnership Service commenced on 1st February 2018.
- (l) The Interim Head of Corporate Building Services commenced on 1st May 2017.
- (m) The Interim Head of Corporate Property Services commenced on 1st May 2017.
- (n) The Head of Vulnerable Learner Service commenced on 1st February 2018.
- (o) The Interim Head of Housing and Public Protection was remunerated from 1st March 2018 in a one month handover period prior to the retirement of the Head of Housing and Public Protection.

## 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:

2017/18		2018/19
Number of employees	Remuneration Band	Number of employees
38	£60,000 - £64,999	48
24	£65,000 - £69,999	21
16	£70,000 - £74,999	13
10	£75,000 - £79,999	6
9	£80,000 - £84,999	8
4	£85,000 - £89,999	8
3	£90,000 - £94,999	3
0	£95,000 - £99,999	1
1	£100,000 - £104,999	1
1	£105,000 - £109,999	0
0	£110,000 - £114,999	0
1	£120,000 - £124,999	0
0	£125,000 - £129,999	1
1	£150,000 - £154,999	0
<b>108</b>	<b>Total</b>	<b>110</b>

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 104 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 2018/19 the remuneration of the Chief Executive was £145,670k (2017/18 £142,814k). This was 6.9 times (2017/18 7 times) the median remuneration of the organisation, which was £21,151 (2017/18 £20,528).



## 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:

2018/19				
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	35	87	122	1,002
£20,001 - £40,000	2	32	34	912
£40,001 - £60,000	2	13	15	754
£60,001 - £80,000	1	6	7	490
£80,001 - £100,000	0	5	5	439
£100,001 - £150,000	0	1	1	107
£150,001 - £200,000	0	0	0	0
£200,001 to £250,000	0	0	0	0
<b>Total</b>	<b>40</b>	<b>144</b>	<b>184</b>	<b>3,704</b>

2017/18				
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	3	89	92	854
£20,001 - £40,000	1	54	55	1,589
£40,001 - £60,000	0	36	36	1,765
£60,001 - £80,000	0	17	17	1,213
£80,001 - £100,000	0	7	7	651
£100,001 - £150,000	0	8	8	956
£150,001 - £200,000	0	1	1	153
£200,001 to £250,000	0	1	1	242
<b>Total</b>	<b>4</b>	<b>213</b>	<b>217</b>	<b>7,423</b>

The average payback period against all early retirement / voluntary redundancy packages agreed for 2018/19 is less than 1 year.

## Notes to the Accounts

### 28. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18 and 2018/19:

2017/18 £'000		2018/19 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
109,236	Council Tax Income	115,904
79,531	Non Domestic Rates	79,141
231,169	Revenue Support Grant	239,946
147	21st Century Schools Programme	1,294
2,284	Local Transport Fund and Local Transport Network Fund	2,823
0	Active Travel Fund	2,043
9,158	Housing MRA Grant	9,185
1,026	Road Safety/Safe Route in Communities	684
0	Targeted Regeneration Investment Programme	1,556
3,873	General Capital Grant	7,497
0	Schools Capital Maintenance grant	2,921
0	European Regional Development Fund	1,689
0	Coastal Risk Management Programme	234
505	High Street Relief	265
1,786	Highways Refurbishment grant	1,187
1,244	Other Grants and Contributions	2,419
<b>439,959</b>		<b>468,788</b>
	<b>Credited to Services</b>	
9,771	School Improvement Grant	8,694
50,343	Rent allowance subsidy	43,854
37,446	Rent rebate subsidy	34,693
3,095	Families First	3,011
13,984	Supporting people	14,092
5,749	Department for Children, Education, Lifelong Learning and Skills	5,244
4,438	Environment and Sustainable Development Grant (ESD)	190
987	Housing Benefit Administration	896
6,209	Concessionary fares	6,816
6,096	Flying Start	5,995
7,300	Pupil Deprivation Grant	7,160
1,974	Communities First	537
1,009	School Building Improvement Grant	0
662	Communities for Work	1,758
560	Cynnydd Project (ESF)	600
179	Rural Development Plan	184
4,739	Bus Services Support Grant (BSSG)	5,260
386	Free Childcare	1,556
1,222	Independent Living Fund	0
1,500	Social Care Workforce Grant	0

## Notes to the Accounts

2017/18 £'000		2018/19 £'000
	<b>Credited to Services</b>	
837	Sustainable Social Services	1,095
663	Funded Nursing Care	630
2,586	Integrated Care Fund	3,611
761	Vibrant and Viable Places	0
675	Sandfields Renewal Area	367
280	ENABLE grant	304
0	Sustainable Waste Management Grant (SWMG)	1,305
0	Affordable Housing Grant	194
0	Teacher Pay Award	1,161
0	ASDL - Education Grant	1,595
0	Professional Learning Fund	639
633	SCWWDP	1,258
434	Syrian Vulnerable Persons	697
0	Targeted Regeneration Investment Programme	23
9,814	Other Grants	9,503
<b>174,332</b>		<b>162,922</b>

### 29. 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 28 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 Swansea Council, 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.

## Notes to the Accounts

### c) Other Bodies

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

Gower Commoners Association  
Gower College Swansea  
Mid and West Wales Fire Authority  
Swansea Bay Port Health Authority  
Swansea PSB (Public Services Board)  
University of Wales Swansea – Court of Governors  
Welsh Local Government Association Council

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)).

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:-	£12.631m (2017/18: £12.275m)
Swansea Bay Port Health Authority:-	£0.085m (2017/18: £0.084m)

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 2018/19 was £21.008m (2017/18 £19.525m).

### d) Subsidiary, Associates and Joint Ventures

The Authority has an interest in six 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.

## *Notes to the Accounts*

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 Swansea Council. 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 2017 were £32k.

The Swansea City Waste Disposal Company Limited was dissolved on 23rd October 2018.

### **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 Swansea Council, 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 £2,575 was made in 2018/19 (2017/18 £2,275) to National Waterfront Museum Swansea towards 50% of the governance costs of the charitable company. There were no creditors outstanding as at 31st March 2019 (2017/18 zero). There was an outstanding debtor of £33,287 as at 31st March 2019 (2017/18 £33,551). 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 2019 are £18,419,304 (2018 £18,697,922).

## Notes to the Accounts

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.

Swansea Council 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.

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 as follows:-

2017/18 £'000		2018/19 £'000
275	Funding provided by the Authority towards operating costs of the pool	317
62	Sum paid for the free use of the pool by schools and other bodies	64
-884	Recharges of wages, salaries and other costs to the Company	-1,027

The Company has seven directors, of which three are appointed by Swansea Council, 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 was an outstanding debtor of £158k (2017/18 £72k) and no outstanding creditors at 31st March 2019 and 31st March 2018.

The net assets of Wales National Pool (Swansea) Limited at 31st March 2019 were £4,729,000 (2017/18 £5,068,000).

## Notes to the Accounts

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

### Swansea Bay Futures Limited

Swansea Bay Futures Limited ceased to trade on 1st December 2017. On a goodwill basis, the Council injected £12k to extinguish all accumulated predominantly statutory liabilities. The majority shareholder who was acting on behalf of the Council resigned in October 2018.

### 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.

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 Swansea Council and remains classified as an operational asset within the Authority's accounts.

The LC was leased to Bay Leisure Limited until 30th September 2018 with the Company being responsible for all operational matters including day to day maintenance and repairs. As owner of the building the Authority was responsible for major repair/replacement/refurbishment items and, as such, was making an annual contribution to an earmarked reserve for future expenditure in this area.

On the 1st October 2018, the management of the Authority's leisure centres were transferred to Wealdon Leisure Ltd (T/A Freedom Leisure), a not for profit leisure trust. The Authority's two nominated board members for Bay Leisure Limited have resigned so Bay Leisure Limited is no longer an associate company of the Authority.

Funding set aside in the Authority's revenue budget for 2018/19 amounts to £0.362m (2017/18 £0.362m) which reflects the management fee payable to the company.

## Notes to the Accounts

The net assets of Bay Leisure Limited at 31st March 2018 were £2,500,720.

### Swansea Community Energy & Enterprise Scheme (SCEES) - Associate

In 2017, Swansea Council purchased 100,000 shares of £1 in Swansea Community Energy & Enterprise Scheme. Swansea Community Energy & Enterprise Scheme is a community owned renewable energy company which was established by Swansea Council but is now run independently by a group of local Directors. The company develops and manages renewable energy projects for the benefit of residents in some of the more deprived areas in Swansea.

By agreement with SCEES £5,000 of the initial investment is repaid each year. The balance of shares now owned by the Authority is 95,000 shares of £1 each.

The Company has 6 Directors and one of the directors is a Cabinet Member of Swansea Council.

There was no outstanding debtor at 31st March 2019 (2017/18 £72k) and no outstanding creditors at 31st March 2019 (2018 zero).

The net assets of Swansea Community Energy & Enterprise Scheme at 31st March 2019 were £474,767 (2017/18 £390,997).

There has been no consolidation for Swansea Community Energy & Enterprise Scheme due to the immateriality of the Company's results.

Copies of the accounts of the Company are available from Swansea Community Energy & Enterprise Scheme Limited, The Environment Centre, Pier Street, Swansea, SA1 1RY.

### e) Other Organisations

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

A relation of a member of the Senior Management Team has provided therapy services to Western Bay Adoption Services via her own business. The amount paid for services provided in 2018/19 was £23,852 (2017/18 £10,088). The senior manager's interest in this company was properly recorded in the Register of interests.

During 2018/19 a member was employed by VocalEyes Digital Democracy Ltd in Project Development. A grant was awarded to this company as part of the Swansea Rural Community Voice project. The amount paid in 2018/19 was £15,692. 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.



## Notes to the Accounts

During 2017/18 a member was employed by Dimensions UK as a Business Development Manager. Dimensions UK provide domiciliary care to adults with learning disabilities in a supported living service in the individuals own tenancy. The member ceased to be a member as at 4th May 2017. Services provided to the Authority in 2017/18 until this date totalled £30,112. 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.

### 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

Swansea Council acts as administering Authority for the Swansea Council 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 37 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a committee. The committee is advised by two independent advisors.

## 30. Group Accounts

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

- National Waterfront Museum Swansea - Management Accounts for the year ending 31st March 2019.
- Wales National Pool Swansea - Management Accounts for the year ending 31st March 2019.

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 2019 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.

## Notes to the Accounts

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

31st March 2018 £'000		31st March 2019 £'000
1,062,349	Swansea Council (Parent)	1,066,484
32	Swansea City Waste Disposal Company Limited (Subsidiary)	0
9,349	National Waterfront Museum Swansea (Joint Venture)	9,210
12,021	Wales National Pool (Joint Venture)	12,697
<b>1,083,751</b>	<b>Net Assets Employed (exc. Pension Fund) *</b>	<b>1,088,391</b>
-712,028	Net Group Pension Fund Liabilities	-823,404
<b>371,723</b>	<b>Net Assets Employed</b>	<b>264,987</b>

\* Some of the component Group assets have been valued on a different basis to that used by the Authority. If the Wales National Pool had been valued at depreciated replacement cost then the asset would have a value of £25.230m.

\* The Wales National Pool currently has a net book value in the region of £5m. Given the material scale of the difference in value the Authority has restated their share of the higher valuation which results in an unrealised gain of £10.3m. It is expected that under the terms of the agreement the final value at the end of the lease (24th December 2023) will be zero. Therefore the difference in book valuations will be fully amortised by the 2023/24 Statement of Accounts.

Swansea Council (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.

## Notes to the Accounts

### 31. 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.

2017/18 £'000		2018/19 £'000
<b>476,381</b>	<b>Opening Capital Financing Requirement</b>	<b>486,479</b>
	<b>Capital investment</b>	
77,916	Property, Plant and Equipment	81,868
74	Heritage Assets	145
215	Investment Properties	8,242
327	Intangible Assets	72
6,946	Revenue Expenditure Funded from Capital under Statute	6,299
100	Investment	0
	<b>Sources of finance</b>	
-5,117	Capital receipts	-1,040
-14	Capital receipts - set aside	0
-23,167	Government grants and other contributions	-32,810
	Sums set aside from revenue:	
-29,742	Direct revenue contributions	-30,439
-17,440	MRP/loans fund principal	-13,938
<b>486,479</b>	<b>Closing Capital Financing Requirement</b>	<b>504,878</b>
	<b>Explanation of movements in year</b>	
9,698	Increase in underlying need to borrowing	16,494
159	Assets acquired under finance leases	511
241	Other movements in year	1,394
<b>10,098</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>18,399</b>

### **32. Termination Benefits**

During 2018/19 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 was an enhanced offer for voluntary early departure from the Authority to accelerate the pace and scale of change and budgetary savings. This offer came to an end on 30th March 2018 for all staff except school based staff where the offer came to an end on 30th June 2018.

Costs were incurred relating to redundancy payments and early access to pension costs totalling £3.711m (2017/18 £7.423m) for the year.

These costs include provision for costs for a limited number of employees whose service will be terminated in 2019/20 but who had been offered - and accepted - severance terms as at 31st March 2019.

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.

### **33. 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.

## Notes to the Accounts

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 2019, the Authority's own contributions equate to approximately 0.2%.

In 2018/19 the Authority paid £12.2m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The figures for 2017/18 were £12.1m and 16.5%. The March 2019 contributions of £1,023,225 were paid on the 5th April 2019. The contributions due to be paid in the next financial year are estimated to be £15.7m at an employer rate of 16.48% up to 31st August 2019 and 23.68% from 1st September 2019. The material change in contribution rate is as a result of UK Government decision.

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 34.

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

### 34. 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.

## Notes to the Accounts

- 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 Chief Finance Officer, 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.

### **Transactions Relating to Post-employment Benefits**

The cost of retirement benefits in the reported cost of services is recognised 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.

## Notes to the Accounts

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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Net Cost of Services:</b>				
Current service cost	55.13	53.33	0.00	0.00
Past service costs	35.35	3.02	0.00	1.71
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	15.40	14.09	2.51	2.34
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>105.88</b>	<b>70.44</b>	<b>2.51</b>	<b>4.05</b>
<b>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>				
<b>Remeasurement of the net defined benefit liability comprising:</b>				
Return on plan assets	-57.54	-7.48	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	101.23	-1.32	2.95	0.40
Other	2.33	7.39	0.29	5.33
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>151.90</b>	<b>69.03</b>	<b>5.75</b>	<b>9.78</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-105.88	-70.44	-2.51	-4.05
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to the scheme	40.42	40.09		
Retirement benefits payable to pensioners			5.85	5.78

## Notes to the Accounts

### 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	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Present value of the defined benefit obligation	1,919.58	1,706.39	99.51	99.61
Fair value of plan assets	1,195.68	1,093.97	0.00	0.00
<b>Net liability arising from defined benefit obligation</b>	<b>-723.90</b>	<b>-612.42</b>	<b>-99.51</b>	<b>-99.61</b>

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Opening fair value of scheme assets	1,093.97	1,044.98	0.00	0.00
Interest income	28.65	26.32	0.00	0.00
Remeasurement gain/(loss):				
The return on plan assets, excluding the amount included in the net interest expense	57.54	7.48	0.00	0.00
Contributions from employer	40.42	40.09	5.85	5.78
Contributions from employees into the scheme	10.32	10.03	0.00	0.00
Benefits paid	-35.22	-34.93	-5.85	-5.78
<b>Closing fair value of scheme assets</b>	<b>1,195.68</b>	<b>1,093.97</b>	<b>0.00</b>	<b>0.00</b>



## Notes to the Accounts

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2018/19 £m	2017/18 £m	2018/19 £m	2017/18 £m
Opening Balance at 1st April	1,706.39	1,628.46	99.61	95.61
Current service cost	55.13	53.33	0.00	0.00
Interest cost	44.05	40.41	2.51	2.34
Contributions from scheme participants	10.32	10.03	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	101.23	-1.32	2.95	0.40
Other	2.33	7.39	0.29	5.33
Past service cost	35.35	3.02	0.00	1.71
Benefits paid	-35.22	-34.93	-5.85	-5.78
<b>Closing balance at 31st March</b>	<b>1,919.58</b>	<b>1,706.39</b>	<b>99.51</b>	<b>99.61</b>

### Local Government Pension Scheme assets comprised:

	2018/19 £'000	2017/18 £'000
Cash and cash equivalents	65,017	77,046
	<b>65,017</b>	<b>77,046</b>
Equity instruments:		
By industry type		
- Consumer	0	197,828
- Manufacturing	0	141,200
- Energy and utilities	0	127,519
- Financial institutions	0	207,120
- Health and care	0	98,497
- Information technology	0	90,019
- Telecommunications services	0	25,800
- Property	0	1,933
	<b>0</b>	<b>889,916</b>

## Notes to the Accounts

	2018/19 £'000	2017/18 £'000
Pooled Equity Investment Vehicles		
- UK	181,491	164,264
- Global *	1,333,137	343,594
	<b>1,514,628</b>	<b>507,858</b>
Property	69,519	85,256
	<b>69,519</b>	<b>85,256</b>
Fixed Interest:		
- Fixed Interest	198,202	194,091
- Index-Linked	34,385	32,547
	<b>232,587</b>	<b>226,638</b>
Hedge Funds	54,168	54,601
	<b>54,168</b>	<b>54,601</b>
Private Equity	86,625	67,525
	<b>86,625</b>	<b>67,525</b>
Infrastructure	18,501	0
	<b>18,501</b>	<b>0</b>
Cash Funds	767	761
	<b>767</b>	<b>761</b>
Cash	0	3,672
	<b>0</b>	<b>3,672</b>
Net Current Assets	2,226	3,237
	<b>2,226</b>	<b>3,237</b>
<b>Total Assets</b>	<b>2,044,038</b>	<b>1,916,510</b>

\* Note - The three segregated equity funds with JP Morgan, Aberdeen and Schroders UK were transitioned in January 2019 to the Wales Pension Partnership Global Opportunities Fund, a Pooled Equity Investment Vehicle.

	Fair value of scheme assets	
	2018/19 £'000	2017/18 £'000
Equity instruments:		
By company size		
- Large capitalisation	0	634,212
- Small capitalisation	0	255,704
<b>Sub-total equity instruments</b>	<b>0</b>	<b>889,916</b>

## Notes to the Accounts

### 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 2016.

The significant assumptions used by the Actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2018/19	2017/18	2018/19	2017/18
Mortality assumptions:				
Longevity at 65 for current pensioners: (years)				
- Men	23.0	22.9	23.0	22.9
- Women	24.6	24.5	24.6	24.5
Longevity at 65 for future pensioners: (years)				
- Men	24.7	24.6		
- Women	26.4	26.3		
Rate of inflation %	2.2	2.1	2.2	2.1
Rate of increase in salaries %	3.7	3.6		
Rate of increase in pensions %	2.2	2.1	2.2	2.1
Rate for discounting scheme liabilities %	2.4	2.6	2.4	2.6

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, 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.

## Notes to the Accounts

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £m	Decrease in Assumption £m
Longevity (increase or decrease in 1 year)	1,859.21	-1,980.44
Rate of increase in salaries (increase or decrease by 0.1%)	1,929.61	-1,909.67
Rate of increase in pensions (increase or decrease by 0.1%)	1,944.12	-1,895.38
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,885.54	-1,954.23

### 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 (75.2% of scheme assets) and bonds (11.8%). 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.

### 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 2019.

## Notes to the Accounts

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 £43.80m contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years (2017/18 17.9 years).

### 35. Contingent Liabilities

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

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Personal Social Services	Unknown	<p>Relates to potential negligence claims relating to those cared for by the Council or its contractors. The Authority is not currently aware of any major claims.</p> <p>The Employment Appeal Tribunal has previously ruled that the National Minimum Wage applies to overnight sleep in personal care support. Whilst this ruling was overturned by the Court of Appeal last year, the case will be heard by the Supreme Court in 2019. In line with previous custom and practice in the sector, the Council paid a flat rate night time allowance to direct carers and via providers. Should the tribunal hearing be upheld by the Supreme Court, this arrangement would not be compliant with National minimum Wage legislation. Whilst the Council has already changed its payment arrangements in light of the initial ruling, retrospective claims by individuals and HMRC enforcement action could be made going back 6 years.</p>	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
Equal pay and Equal Value claims	Unknown	<p>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.</p> <p>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.</p>	2019/20
Landlord / Tenant Liability Claims	Unknown	There is potential risk around lease/HRA properties where there are disputes as to whether it is a tenant or landlord property maintenance obligation.	Unknown
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

## Notes to the Accounts

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
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
Flooding	Unknown	There are potential claims regarding flooding 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
City Deal	£11.487m	The Council has incurred, and continues to do so, significant initial work up costs on a range of regeneration and redevelopment schemes within the City Centre using a mix of its own funds and Welsh Government support. These continue to be considered capitalisable and thus treated as capital where appropriate but the final build out of schemes is heavily contingent upon decisions by the UK and Welsh Government over individual business cases under the City Deal and the terms and conditions of any final City Deal grant offer, and further funding flexibilities. If schemes were not to progress, for any reason, the costs incurred to date would potentially need to be written back to revenue.	2018/19 and then up to 15 years thereafter

## Notes to the Accounts

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Client care costs	£2million+	The interface between local authority social care, and to a much lesser extent some specialist education provision, and local health boards and other local authorities is a complex one involving discussion and decisions on lead responsibility for payment of client care costs, and in some cases appropriate sharing of costs. Whilst client care is of course the utmost priority, the contractual obligations and disputes between the various parties over costs is growing significantly and there remain substantial unresolved sums between the parties.	2019/20

### 36. 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 89,962 in 2018/2019 (89,465 in 2017/2018).

Analysis of the net proceeds from Council Tax:

2017/18 £'000		2018/19 £'000
129,618	Council tax collectable	137,096
-529	Less:- Provision for non payment of Council tax	-884
-19,853	Less:- Council Tax Support Scheme	-20,308
<b>109,236</b>	<b>Net proceeds from Council Tax</b>	<b>115,904</b>

Application of Council Tax proceeds:

2017/18 £'000		2018/19 £'000
127,621	City & County of Swansea precept	135,137
965	Community Council precept	1,403
<b>128,586</b>	<b>Council Tax requirement</b>	<b>136,540</b>
-19,853	Less:- Council Tax Support Scheme	-20,308
503	Transfer to reserves (Surplus/Deficit)	-328
<b>109,236</b>	<b>Net application of proceeds</b>	<b>115,904</b>



### 37. 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 2018/19 was 0.514p (0.499p in 2017/18) 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.

### 38. Nature and extent of risks arising from Financial Instruments

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

- 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 financial 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.

#### 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.

The risk is minimised through the Annual Investment Strategy which outlines the minimum credit criteria required for the Authority. The full details of the credit criteria are outlined in the previously published Treasury Management Strategy report available on the Council's website.

#### Credit Risk Management Practices

The Authority's credit risk management practices are set out in the Annual Treasury Management Investment Strategy presented to Council in February 2019.

## Notes to the Accounts

### Amounts Arising from Expected Credit Losses

The changes in the loss allowance during the year are as follows:

#### Loss allowance by Asset Class

Asset Class (amortised cost)	12-month expected credit losses £'000	Lifetime expected credit losses – not credit impaired £'000	Lifetime expected credit losses – credit impaired £'000	Lifetime expected credit losses – simplified approach £'000	Purchased or originated credit impaired financial assets £'000	Total £'000
<b>Opening balance as at 1 April 2018</b>	0	0	0	2,567	0	2,567
Transfers:						
• Individual financial assets transferred to 12-month expected credit losses	0	0	0	0	0	0
• Individual financial assets transferred to lifetime expected credit losses	0	0	0	0	0	0
• Individual financial assets transferred to lifetime expected credit losses credit impaired	0	0	0	0	0	0
New financial assets originated or purchased	0	0	0	607	0	607
Amounts written off	0	0	0	-185	0	-185
Financial assets that have been derecognised	0	0	0	0	0	0
Changes due to modifications that did not result in derecognition	0	0	0	0	0	0
Changes in models/risk parameters	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
<b>Balance as at 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,989</b>	<b>0</b>	<b>2,989</b>

## Notes to the Accounts

### Credit Risk Exposure

The Authority has the following exposure to credit risk at 31 March 2019:

	Credit risk rating	Gross carrying amount £'000
12-month expected credit losses	PPP	0
	PP	0
	P	0
Significant increase in credit risk since initial recognition	QQQ	0
	QQ	0
	Q	0
Credit-impaired at 31 March	RRR	0
	RR	0
	R	0
Simplified approach	SSS	0
	SS	0
	S	0

### 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 Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, 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:

On 31 March 2018 £'000	Loans outstanding	On 31 March 2019 £'000
48,543	Less than 1 year	55,017
0	Between 1 and 2 years	3,001
3,324	Between 2 and 5 years	730
29,617	Between 5 and 10 years	53,824
428,041	More than 10 years	495,497
<b>509,525</b>	<b>Total</b>	<b>608,069</b>

All trade payables are included in less than one year.

## Notes to the Accounts

### 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.

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 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 2019, if interest rates had been 1% higher than market rate with all other variables held constant, the financial effect would be:

	2018/19 £'000
Increase in interest payable on variable rate borrowings	580
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	258
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>838</b>
<b>Share of overall impact debited to the Housing Revenue Account</b>	<b>180</b>
Decrease in fair value of fixed rate investment assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>

## Notes to the Accounts

	2018/19 £'000
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)	131,152

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

### Price Risk

The Authority does not generally invest in traditional equity shares.

### 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.

## *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.

2017/18 £'000		Note	2018/19 £'000
13,671	Repairs and maintenance		13,811
13,848	Supervision and management		13,589
604	Rent, rates, taxes and other charges		817
7,993	Depreciation and impairment of non-current assets	3	5,938
67	Debt management costs		70
623	Movement in the allowance for bad debts		0
<b>36,806</b>	<b>Total Expenditure</b>		<b>34,225</b>
-57,303	Dwelling rents		-61,631
-136	Non-dwelling rents		-117
-2,861	Charges for services and facilities		-2,884
-988	Contributions towards expenditure		-1,280
<b>-61,288</b>	<b>Total Income</b>		<b>-65,912</b>
<b>-24,482</b>	<b>Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement</b>		<b>-31,687</b>
729	HRA services' share of Corporate and Democratic Core		715
<b>-23,753</b>	<b>Net cost for HRA services</b>		<b>-30,972</b>
	<b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
6,420	Interest payable and similar charges		6,744
-29	Interest and investment income		-62
0	Impairment Losses		1,088
821	Net interest on the net defined benefit liability (asset)		895
-9,158	Capital grants and contributions receivable		-9,185
<b>-25,699</b>	<b>Surplus(-)/Deficit for the year on HRA services</b>		<b>-31,492</b>

## *Movement on the HRA Balance*

2017/18 £'000		2018/19 £'000
9,821	Balance on the HRA at the end of the previous year	6,781
25,699	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	31,492
-28,739	Adjustments between accounting basis and funding basis under statute	-32,117
<b>-3,040</b>	<b>Net decrease before transfers to or from reserves</b>	<b>-625</b>
0	Transfers to/(from) earmarked reserves	0
<b>-3,040</b>	<b>Increase or (decrease) in the year on the HRA</b>	<b>-625</b>
<b>6,781</b>	<b>Balance on the HRA at the end of the current year</b>	<b>6,156</b>

### 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:

1,590	Pension costs (transferred to (or from) the Pensions Reserve)	1,615
-6	Financial instruments (transferred to the Financial Instruments Adjustment Account)	0
74	Holiday pay (transferred to the Accumulated Absences Reserve)	7
-1,165	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):	-3,247
<b>493</b>	<b>Total Adjustments to Revenue Resources</b>	<b>-1,625</b>

#### Adjustments between Revenue and Capital Resources

-2,882	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-2,992
-26,350	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-27,500
<b>-29,232</b>	<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-30,492</b>
<b>-28,739</b>	<b>Total Adjustments</b>	<b>-32,117</b>

## Notes to the Housing Revenue Account

### 1. Housing Stock

As at 31st March 2019 the Authority owned a total of 13,525 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:

31/03/2018		31/03/2019
Units		Units
13,500	Stock at 1 <sup>st</sup> April	13,528
28	Additions	3
0	Taken out of income	-6
<b>13,528</b>	<b>Stock at 31<sup>st</sup> March</b>	<b>13,525</b>

### 2. Capital expenditure

During 2018/19 £42.070m (2017/18 £44.136m) was spent on HRA Properties.

This was financed as follows:-

2017/18		2018/19
£'000		£'000
9,158	Grants – Major Repairs Allowance	9,185
178	Capital Contributions	96
26,350	Revenue and Balances	27,500
8,450	Borrowing	5,289
<b>44,136</b>	<b>Total</b>	<b>42,070</b>

The Major Repairs Allowance was used in full in 2018/19 and 2017/18.

### 3. Depreciation charges and impairment

The total charge for depreciation and impairment made to the HRA for 2018/19 amounted to £5.938m (2017/18 £7.993m) and is analysed as follows:-

2017/18		2018/19
£'000		£'000
	Depreciation on operational assets	
5,747	- dwellings	5,754
36	- other property	32
	Revaluation Losses	
2,208	- dwellings	141
2	- other property	11
<b>7,993</b>	<b>Total</b>	<b>5,938</b>

The depreciation charge in respect of HRA assets is not an actual charge against the HRA Balance. It is reversed out in the Movement on the HRA Statement, and replaced with HRA Minimum Revenue Provision specified in the Item 8 Determination, via a transfer to or from the Capital Adjustment Account.



### 1. Scope of Responsibility

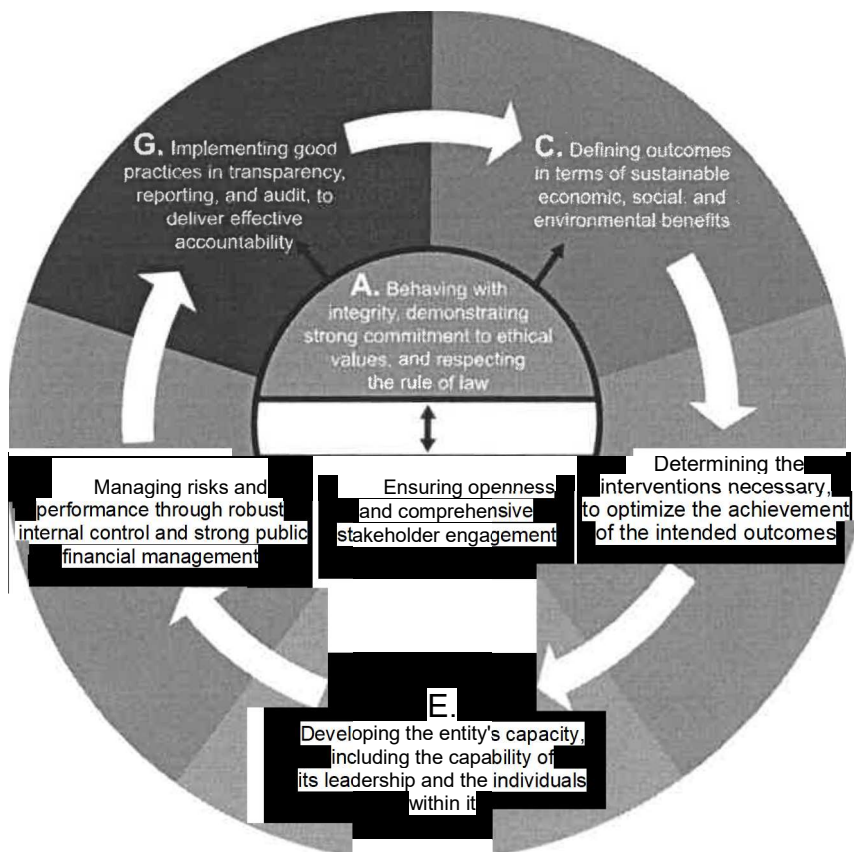
- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the 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, which includes arrangements for the management of risk.
- 1.3 The City and County of Swansea adopted a Code of Corporate Governance on 24 August 2017, which is consistent with the principles of the new CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government 2016*'. A copy of the Code can be found on the Council's website.

### 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 2019 and up to the date of approval of the Statement of Accounts.

## 3. The Governance Framework

3.1 The Council has adopted a Code of Corporate Governance based on the “*Delivering Good Governance in Local Government*” framework published by CIPFA and SOLACE in 2016.



3.2 This Statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018). The Council aims to achieve a good standard of governance by adhering to the 7 key principles of the CIPFA/Solace 2016 Guidance.

3.3 The 7 key principles are:

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

- E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
  - F) Managing risks and performance through robust internal control and strong public financial management.
  - G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.4 The application of the principles of good governance is summarised below which sets out supporting information for the 7 key principles.

## Principle A

**Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

### Sub Principles:

**Behaving with Integrity**

**Demonstrating strong commitment to ethical values**

**Respecting the rule of law**

### How we do this:

- The behaviour and expectations of officers/members is set out in the Constitution, Officer and Member Code of Conduct and Protocol
- The Monitoring Officer provides training on the code of conduct and ensures the highest standards of conduct by the authority, members and officers
- The Standards Committee is responsible for monitoring and scrutinising the standards of members
- Member led authority principles with training to senior officers and Cabinet members
- Compliance with a suite of policies/rules set out in the Constitution
- The Constitution sets out requirements as to gifts and hospitality and there are regular reminders circulated to both officers and members
- Adoption of Member Dispute Resolution Protocol
- Officers/members declarations of interest
- Officer Secondary Employment Policy

- The Council's appraisal and recruitment system based on competencies, training and objectives underpin personal behaviours with ethical values
- Commitment to working to promote high standards of performance based on the Nolan principles
- Adoption of Welsh Government ethical ways of working
- The Swansea Pledge
- The Constitution contains comprehensive Procurement and Financial Procedure Rules

- The Statutory officers and members ensure compliance with legislative and regulatory requirements via a robust framework including the scheme of delegation, induction training, standing procedures and rules set out in the Constitution
- Reports to Committees have legal/finance clearance
- Robust Scrutiny and Call-In function
- Robust audit challenge
- External challenge from auditors, Ombudsman and other external agencies
- The Monitoring Officer ensures the council complies with statute and reports on any maladministration
- An effective anti-fraud and corruption framework supported by a suite of policies i.e. whistleblowing

## Principle B

### Ensuring openness and comprehensive stakeholder engagement

#### Sub Principles:

##### Openness

##### Engaging comprehensively with institutional stakeholders

##### Engaging stakeholders effectively, including individual citizens and service users

#### How we do this:

- The Council is committed to ensuring an open culture evidenced by open meetings and publication of agendas and minutes
- A Forward Plan showing key decisions to be made by Council and Cabinet is published
- There is appropriate Consultation and Engagement supporting the decision making process including annual budget consultation, co-production, engagement with trade unions and engagement with Disability and LGBT communities.
- There are Public questions at Council and Cabinet
- There is engagement with children and young people to meet the requirement of the UNCRC
- There is pre-decision scrutiny of Cabinet decisions and Call-In procedure
- Corporate and Directorate risks are published

- The Council adopts a Team Swansea approach working as a whole council and effectively engages with stakeholders to ensure successful and sustainable outcomes by:
  - targeting communications
  - effective use of social media
  - formal and informal meetings with key stakeholder groups i.e. External auditors, Welsh Government, Health board
- The Council has an extensive range of partnerships to support the delivery of the Council's objectives including:
  - The Public Services Board
  - The Safer Swansea Partnership
- The Council has adopted the Community/Town Council Charter and facilitates the Community/Town Council forum meetings with the 24 Councils.

- The Council has appropriate structures in place to encourage public participation which is used to inform proposals and key decisions including:
  - A Consultation and Engagement framework
  - "Have your Say" consultations on website
  - The Scrutiny Programme Committee invites stakeholder contributions and participation
  - An Annual Staff Survey with responses considered by CMT/Senior Management
  - A Complaints Policy and Annual Report to assess organisational learning and change
  - The appointment of Councillor Champions who provide a voice for under represented groups

Principle C

Defining outcomes in terms of sustainable economic, social and environmental benefits

Sub Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this:

- The Council has a clear vision which is set out in the Corporate Plan *Delivering a Successful & Sustainable Swansea* which prioritises 6 well-being objectives. The sixth well-being objective *Natural Resources and Biodiversity* was added during the 2-18/22 refresh of the Corporate Plan
- Delivery of the Corporate Plan is monitored through the Council's Performance Management Framework with quarterly performance monitoring by CMT/Cabinet
- There is an Annual Performance Review
- Annual Service Plans address the sustainability of service delivery along with key corporate priorities
- There is monthly Performance and Financial Monitoring meetings held for each Directorate
- There is a Corporate Risk Management Policy ensuring consistent application of risk registers and terminology and audit scrutiny

- The Council takes a long term and sustainable view and balances the economic, social and environmental impact of policies and plans by:
  - Medium Term Financial Planning covering 3 financial years approved annually by Council
  - Refresh of the Corporate Plan annually
  - Annual service planning
- The Council's *Sustainable Swansea: Fit for the Future* programme seeks to modernise and transform the council to meet the longer term challenges and ensure sustainable provision of services
- There is public and stakeholder engagement

## Principle D

**Determining the interventions necessary to optimise the achievement of the intended outcomes**

### Sub Principles:

#### Determining interventions

#### Planning interventions

#### Optimising achievement of intended outcomes

### How we do this:

- The Council ensures that decision makers receive objective and rigorous analysis of options with intended outcomes and risks by:
  - written reports from Officers
  - report clearance by legal, finance and Access to Services officers
  - embedding of impact assessment in decision making process
  - clear option appraisals reflected in reports detailing impact, risk and any best value considerations
- The results of consultation exercises are fully considered by decision makers with consultation responses set out in report
- Consultation on budget proposals is extensive and includes roadshows with staff
- The Council has a Corporate Risk Management Policy

- The Council has established robust planning and control cycles covering strategic and operational plans, priorities and targets which is achieved through:
  - a timetable for producing and reviewing plans on an annual basis.
  - Working with a consultation and engagement framework
  - quarterly and annual performance monitoring including achievement of national and local performance indicators
- There is robust Medium Term Financial Planning
- There is an Annual budget setting process in place including an extensive consultation exercise

- The Council ensures the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints by setting out any shortfall in resources and spending requirements in the context of service priorities
- To ensure that the budget process is all inclusive there is regular engagement with members with robust scrutiny by the Service Improvement & Finance Scrutiny Performance Panel
- Sustainable Swansea – Fit for the Future
- The Council ensures the achievement of “social value” through the effective commissioning of service in compliance with CPR’s e.g. Beyond Bricks and Mortar (community benefit clauses in council contracts)

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Sub Principles:

Developing the entity's capacity

Developing the capability of the entity's leadership and other individuals

How we do this:

- The Council aims to ensure that Members and Officers have the right skills, knowledge and mind set to operate efficiently and effectively to achieve intended outcomes by:
  - adopting a comprehensive induction training programme for members and officers
  - a Councillor Training Programme based on a Training Needs Assessment
  - annual performance review of staff
  - adoption of a mentoring scheme
- Operational capacity is supported by the Transformation & Future Council objective to help tackle rising demand and reducing revenue budget
- The Organisational Development Strategy aims to develop the right staff with the right skills to work in a sustainable way
- There is engagement with benchmarking groups such as APSE, CIPFA
- There is collaborative and partnership working including the Public Service Board, ERW.

- Effective shared leadership and understanding of roles and objectives is supported by:
  - The Leader and Chief Executive have clearly defined leadership roles
  - The Chief Executive Appraisal and Remuneration Committee have responsibility for the appraisal of the Chief Executive
  - there has been member led training with both senior officers and cabinet members
  - there are regular 1-2-1 meetings with the Leader, Cabinet members, Chief Ex, CMT and Heads of Service
  - the Transformation and Future Council objective and the Organisational Development Strategy
- The Constitution sets out the Scheme of Delegation which is regularly reviewed
- Annual appraisal and performance review
- A review of senior management roles report to Council in July 2018.



## Principle F

### Managing risks and performance through robust internal control and string public financial management

#### Sub Principles:

#### Managing risk

#### Managing performance

#### Robust internal control

#### Managing data

#### Strong public financial management

#### How we do this:

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- Risk management is an integral part of decision making supported by:
- A revised Corporate Risk Management Policy with clear nominated officer responsibility
- Quarterly review of risks by CMT
- Monthly review of Directorate Risks at PFM meetings
- The publication of Corporate & Directorate Risks allowing greater scrutiny
- The Audit Committee regular review of risks

- There are quarterly performance monitoring reports to Cabinet
- Each Head of Service produces an Annual Service Plan setting out clear objectives and SWOT analysis of their service
- There are regular reports as to performance indicators and milestones against intended outcomes
- There is robust scrutiny challenge by pre decision scrutiny, inquiries and Call-In.
- Monthly Directorate Performance and Financial Monitoring meetings

- The Audit Committee provides independent and objective assurance on effectiveness of internal control, risk management and governance arrangements
- The Council is dedicated to tackling fraud and corruption and has an Anti-Fraud and Corruption Policy and Whistleblowing Policy
- The Audit Committee receives an annual report on the fraud function and Anti-Fraud Plan
- The Internal Audit Plan is approved by Audit Committee

- The Council demonstrates effective safeguarding of personal data and information by:
- The appointment of a Data Protection Officer
- The adoption of a Data Protection Policy
- An Information Governance Unit and Senior Information Risk Officer
- An information asset register
- The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI)
- Data Protection training is mandatory

- The Council ensures both long term achievement of outcomes and short term performance through the delivery of the Medium Term Financial Plan
- Financial management is integrated at all levels of planning and control by:
  - financial implications are included in all decision making reports
  - there is a specific Corporate risk around Financial Control and Sustainable Swansea owned by the S151 officer

## Principle G

**Implementing good practices in transparency, reporting and audit to deliver effective accountability**

### Sub Principles:

**Implementing good practice in transparency**

**Implementing good practices in reporting**

**Assurance and effective accountability**

### How we do this

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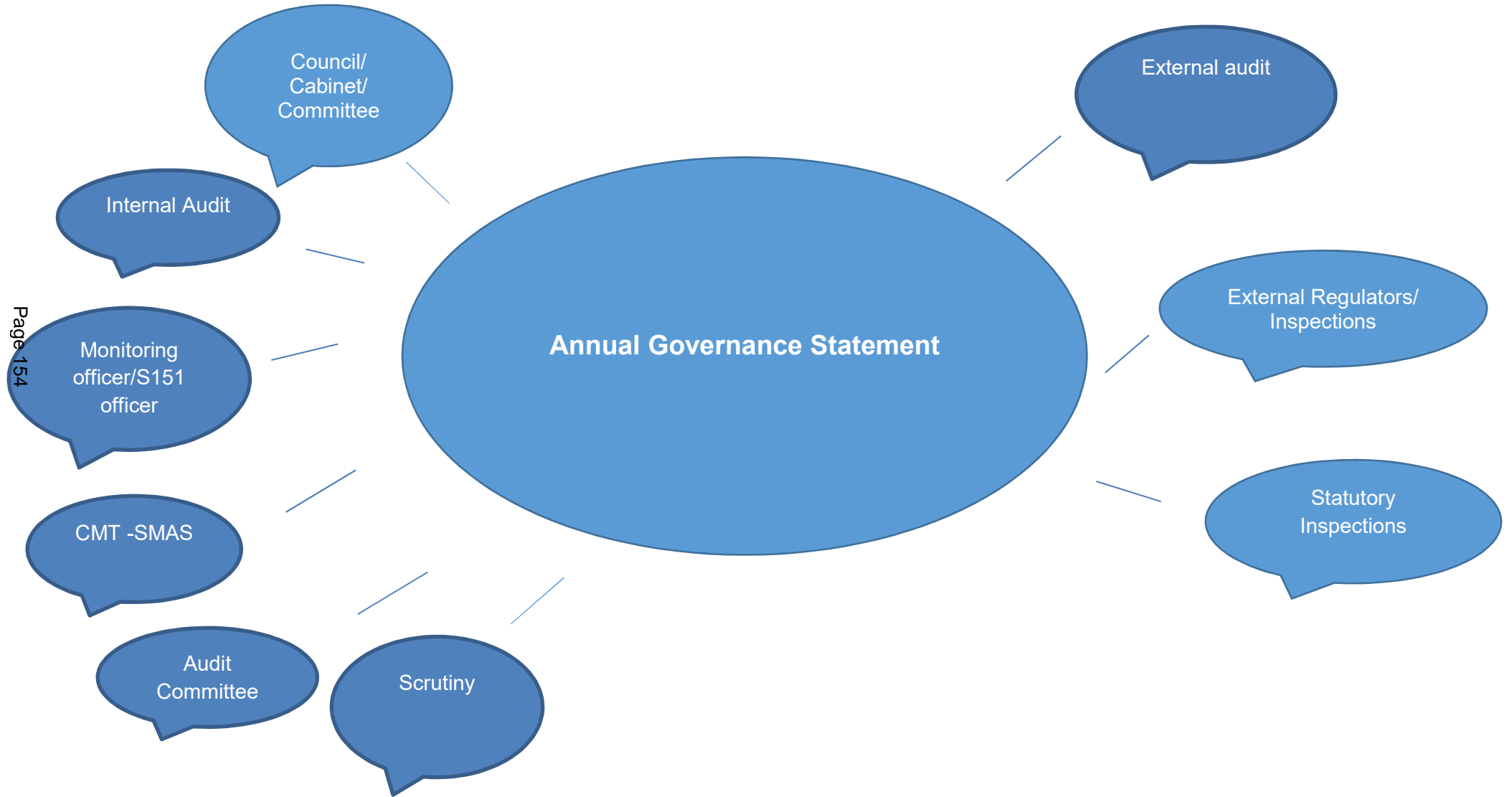
- The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:-
  - A Report Authors Protocol which ensures consistency in reports
  - A Clear Writing guide for officers
  - All reports are signed off by Cabinet member, legal, finance and access to services officers
  - The Council has a Publication Scheme which is available on the website
  - Where possible exempt reports are split so that the main report can be heard in public with confidential information being a separate exempt report
  - Reports are published on the website and agendas are published in the Welsh Language

- The Council reports at least annually on performance as evidenced by:
  - Quarterly reports to Cabinet on performance
  - An annual Review of Performance report setting out how the Council has performed in meeting its Corporate Objectives
  - The Annual Statement of Accounts audited by external auditor and approved by Council and published demonstrates how the Council has achieved performance, value for money and the stewardship of resources
- Senior Managers complete Senior Management Assurance Statements (SMAS) reflecting performance against governance, risk management and internal control. The SMAS contribute to the Annual Governance Statement
- The Council have adopted the Code of Corporate Governance based on CIPFA framework

- Through the assurance mechanisms set out below the Council can demonstrate effective accountability:
- The Internal Audit work plan provides assurance on the council's control mechanisms, risk management and governance arrangements which is monitored by the Audit Committee
- All agreed actions from Internal Audit reviews are monitored
- Implementation of WAO and Internal Audit recommendations monitored by Audit Committee
- Peer Review and inspection from regulatory bodies and external compliance reviews which are reported to CMT/Cabinet and used to improve service delivery
- There is scrutiny and audit review of WAO reports and action plans.
- Assurance on risks associated with delivery of services through third parties is achieved by:
  - Commissioning and monitoring arrangements and compliance with Contract Procedure Rules
  - SMAS reflect risk assessments in relation to partnership/third party working

Internal Assurance

External Assurance



### 4. Review of Effectiveness

4.1 The City and County of Swansea annually reviews the effectiveness of its governance framework including the system of internal control.

- (a) Statements from Corporate Management Team (CMT), Statutory Officers, the Internal Audit Manager and the Audit Committee.
- (b) External organisations i.e. Wales Audit Office and regulators
- (c) Core evidence mapped to Council, Cabinet and Committees

4.2 The following highlights the review of the governance framework in order to compile the Annual Governance Statement and sets out the assurance of CMT, officers and external organisations.

### **INTERNAL SOURCES OF ASSURANCE**

### 5 Corporate Management Team/SMAS

5.1 The Senior Management Assurance Statements (SMAS) form part of the governance assessment framework. Through the SMAS each Director responds to 20 good governance statements covering:

- Risk Management
- Partnership/Collaboration governance
- Compliance with Policies/Rules/Legal & Regulatory requirements
- Programme and Project Assurance
- Budget Monitoring
- Planning and Decision Making
- Internal Control Environment
- Fraud & Financial Impropriety
- Performance Measurement & Management

5.2 The Directors assess assurance using a 5 points maturity scale for their areas of responsibility ranging from “not in place” to “embedded”. Directors are expected to consult with their Heads of Service to support a directorate approach to each statement.

5.3 The Four SMAS from the Directors of Corporate Resources, People, Place and Education were challenged and reviewed at CMT. The Director of People submitted a SMAS split into Social Services – Adult and Social Services – Child & Family.

5.4 The 20 assurance statements summarised by 9 categories showed an overall “strong application” of good governance across the assurance areas. The greatest maturity was reported in budget monitoring with a 60% “embedded” and 40% “strong application” rating. Risk Management maturity was strong with a rating of 88% strong or embedded application and the 12% mixed application was supported by an assurance that training was in place to embed in 2019/20.

- 5.5 The maturity assessment highlighted opportunities to enhance the categories relating to Performance Measurement and Management for which there was a higher incidence of “mixed application” which have been identified in the significant governance risks for 2019/20.
- 5.6 CMT reviewed the SMAS and draft Annual Governance Statement on 8 May and 10 May 2019. Having considered and discussed the outcomes of the SMAS and noting the “mixed application” responses overall CMT considered the assurance level to be strong. The significant governance issues for 2019/20 as identified by CMT are those set out below.

### **6. The Monitoring Officer**

- The Chief Legal Officer is the Monitoring Officer with a specific duty to ensure that the Council, Officers and Members maintain the highest ethical standards of conduct. The Standards Committee has the responsibility for monitoring the ethical standards of conduct and to deal with any breaches of the Code referred to the Committee by the Public Service Ombudsman (PSOW).
- In 2018/19 the Monitoring Officer was notified of 6 complaints relating to members conduct by the PSOW. The PSOW decided not to investigate 5 of those complaints and the remaining complaint the PSOW found that there was no evidence of a failure to comply with the Code of Conduct. There are regular PSOW bulletins circulated to all councillors as to Code of Conduct issues.
- During 2018/19 the Standards Committee interviewed the Leaders of the Opposition, the Chairs of Planning, Democratic Services and Licensing Committees and the Chief Executive. Following the Leaders attendance at committee the Standards Committee will reflect their views in the Annual Report.
- An audit of officer gifts and hospitality was undertaken in 2018/19 with recommendations to improve consistency across departments. Members and officers are required to register their personal interests, gifts and hospitality with regular reminders sent out by the Head of Democratic Services. A Gifts and Hospitality Policy is currently under review.
- The Monitoring Officer has not had to issue any statutory Section 5 Local Government and Housing Act 1989 reports during 2018/19.
- A number of amendments to the Constitution were adopted by Council including a new Call-In procedure enabling greater scrutiny of Cabinet decisions. Further work is being undertaken by the Monitoring Officer in terms of publication of officer delegated decisions and changes to procedure rules.

- The Deputy Chief Executive has overall responsibility for governance and as part of his strengthening of governance arrangements has presented the assurance framework to audit committee.

### 7. The **S151 Officer**

- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2018/19. The reports consistently identified a service 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. That service overspend has now been confirmed (at just under £3m) and a draw from Specific Reserves of similar sum (as reported from as early as first quarter) will be necessary for 2018/19, a position that is clearly unsustainable and unrepeatable in future years, given the S151 Officer has already ruled reserves to be at the absolute minimum. On a more positive note the equally fully planned substantial underspending on capital financing (around £7m) facilitated, in part, by the in-year review, and approval by Council, of the Minimum Revenue Provision policy has enabled similar sum to be added to the capital equalisation reserve which is a prudent way of planning for and addressing some of, the future certain increased costs of financing the ambitious mid-term capital programme.
- A **Mid Term Budget Statement 2018/19** (verbal) and **Review of Reserves** (written) was presented to Council on 25/10/18 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 2019/20 and beyond. The likely projected outturn was dependent upon the willingness and ability of the Council to reduce and restrict ongoing expenditure across all areas.
- The Revenue and Capital Budgets were approved by Council on 28/02/19. They continued to set out an ambitious programme of approved capital spending plans and future contingent capital spending plans (partly financed by the Swansea Bay City Deal but predominantly by unsupported borrowing) which would require challenging budget savings to be delivered to help facilitate that major capital investment and economic regeneration stimulus.
- The **Medium Term Financial Plan 2020/21 – 2022/23** was approved by Council on 28/02/19. 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.
- 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.
- The **Wales Audit Office Annual Management Letter** dated 29 November 2018 (and referred to below) noted that whilst the Council have appropriate arrangements in place to secure economy, efficiency and effectiveness in their use of resources, the Council continues to “face significant financial challenges”. This reflected external auditor concerns around ongoing service

overspending, actual delivery of efficiency savings to the planned timetable and the substantial future capital programme aspirations.

- The Council is the Administering Authority for the City and County of Swansea Pension Fund (the Pension Fund) and Swansea Bay Port Health Authority (SBPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and SBPHA. There are further specific requirements for the Pension Fund which are:
  - Investment Strategy Statement
  - Internal Dispute Resolution Process
  - Funding Strategy Statement
  - Administration Strategy Statement
  - A full actuarial valuation to be carried out every third year
  - Communications Strategy Statement

### **8. Chief Internal Auditor's Internal Control Opinion**

- 8.1 The system of internal control is designed to help the Council manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.
- 8.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.
- 8.3 A pleasing trend which has been identified for the past two years of an increase in the number of audits receiving a high level of assurance has continued this year. There has also been a small decrease in the number of audits with a substantial, moderate or limited level of assurance.
- 8.4 There are 14 audits which are classed as fundamental audits. The fundamental audits are the systems that are considered to be so significant to the achievement of the Council's objectives that they are audited either annually or bi-annually. Following the audits completed in 2018/19, 12 of the 14 fundamental audits have a high level of assurance, one has a substantial level of assurance (Accounts Payable) and one has a moderate level of assurance (Accounts Receivable). It is disappointing to note that one of the fundamental audits received a moderate assurance rating in 2018/19. The reasons provided by the service for the weaknesses identified in this area were in relation to reduced resources. As noted in the previous Internal Audit Annual Report, continuity and maintenance of core grip with changing, and more often diminishing, resources was a recognised clear challenge across the Authority and this continues to be the case.
- 8.5 Despite this, it should be noted that of the 14 fundamental audits, 12 have a high assurance level and one has a substantial assurance level. In addition, the increase in the number of audits receiving a high level of assurance in the



overall audit universe and the results of the work undertaken in 2018/19 provides reasonable assurance that across the Authority, the systems of internal control are operating effectively.

- 8.6 Throughout the year, a significant amount of effort has been directed at further strengthening the systems of risk management across the Authority. Audit Committee now have access to the Corporate Risk Register and also receive regular update reports from the Strategic Delivery and Performance Manager outlining the status of key risks to further strengthen assurance in this area. The Corporate Management Team and Risk Owners have also reviewed the risk register entries regularly throughout the year to ensure the register is up to date and all mitigating controls have been captured and remain effective.
- 8.7 In addition, the appointment in year of the Deputy Chief Executive, tasked with overarching responsibility for ensuring existing corporate governance arrangements are effective, has further strengthened assurances in this area.
- 8.8 Overall, based on the work undertaken in 2018/19, I am satisfied that Internal Audit can provide reasonable assurance that the systems of risk management, internal control and governance established by the Council are operating effectively and that no significant weaknesses were identified in 2018/19 which would have a material impact on the Council's financial affairs or the achievement of its objectives.

### 9. The **Audit Committee**

- 9.1 The Audit Committee considered the Annual Governance Statement with the Statement of Accounts on 13 August 2019.
- 9.2 Over the last year the Audit Committee has committed to progressing the necessary action to address any Wales Audit Office recommendations. The Committee has reviewed progress against those recommendations with the aim of developing and strengthening the Committee's effectiveness in fulfilling the Committee's terms of reference. Most notably the Committee received:
- A presentation by the Deputy Chief Executive that outlined the Council's Assurance Framework;
  - The Council's Risk Register was received on 14 August 2018 and the Directorate Risk Register on 11 December 2018.
- 9.3 The presentation on the Assurance Framework and the reporting on the Council's risks is a significant step forward in improving the Committee's ability to reflect on the effectiveness of governance, risk management and control that supports and informs the Council's Annual Governance Statement.
- 9.4 The Committee has noted that the Risk Management process across the Council remains under development and officers are progressing to pilot a new electronic risk management process/system. However, the associated roll out of the new system and the delivery of training needs remains a challenge.



- 9.5 The Committee has received reports regularly from the Chief Internal Auditor, that included confirmation of the outcome of the External Quality Assessment of performance against the Public Sector Internal Audit Standards. The External Quality Assessor suggested the production of an assurance map as an improvement to the audit planning process. It is pleasing to report that the Chief Internal Auditor has progressed with this recommendation and reported in February 2019 the draft assurance map with the audit methodology for the development of the Internal Audit Annual Plan.
- 9.6 The Committee has noted that the Auditor General stressed that the Council must continue to risk assess its efficiency savings plans, to review and update its medium term financial strategy and to carefully monitor its reserves. The Audit Committee would like to see robust saving delivery plans from Directors/Heads of Service as an additional level of assurance.
- 9.7 It was noted that a recovery plan should be developed on how the Council plans to deal with overspends and that the Audit Committee should be provided with regular budget variation reports.
- 9.8 Looking forward to 2019/20, the financial challenges facing the Council will continue as will the need to increase performance. Within this context, the importance of an effective Audit Committee remains critical and the Committee is committed to enhancing its effectiveness through an ongoing training programme, delivering against the Wales Audit Office efficiency improvements and liaising with Officers to enhance the information that the Committee receives. The Committee will keep the Work Programme under regular review and will ensure that the Work Programme contains the critical challenges that the Council faces.

### **EXTERNAL SOURCES OF ASSURANCE**

#### **10. External Auditors**

- The Wales Audit Office finalised their review of the 22 councils in Wales as to how fit for the future their scrutiny functions were. The “Overview and Scrutiny – Fit for the Future” report for Swansea issued in July 2018 summarised that *“the Council’s scrutiny function is well-placed to respond to future challenges, but could improve arrangements for pre-decision scrutiny and strengthen its evaluation of the impact of scrutiny activity.”*
- The Wales Audit Office Annual Improvement Report 2017/18 was issued in September 2018 and based on the Wales Audit Office work carried out; the Auditor General believed that the Council was likely to comply with the requirements of the Local Government Measure 2009 during 2018/19.
- The Wales Audit Office Use of Local Government Data was issued on 4 January 2019 with a number of recommendations including further training. The

Council's Data Protection Officer is working on the recommendations including an action plan around improvements.

- The Appointed Auditor's **Annual Audit Letter 2017/18** was issued on 29 November 2018 and presented to the Audit Committee on 11 December 2018. The letter stated that the Council had made good progress in bringing forward the production of the financial statements. 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 but the Council continues to face significant financial challenges'*. The letter further adds that *"To achieve a balanced budget for 2019/20 the Council must continue to risk assess its efficiency savings plans and implement robust arrangements to secure their delivery"*. No significant issues were identified on work carried out on certification of grant claims and returns that would impact on the 2017/18 accounts or key financial systems.
- The Wales Audit Office on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2017/18** to Audit Committee on 11/9/18 and to Council on 20/09/18. 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 Auditor General issues an unqualified audit report on the financial statements and the report concluded that the financial statements for both the City & County of Swansea and the City and County of Swansea Pension Fund gave a true and fair view of the financial position of the Council and had been properly prepared.

### 11. STATUTORY EXTERNAL INSPECTIONS/REGULATORS

The Council is subject to Statutory External Inspections by various bodies including ESTYN and Care Inspectorate Wales (CIW).

**CIW** inspected a number of services during 2018/19 including regional arrangements. They inspected services for children living in Swansea and published their report in October 2018. CIW found good quality practice with positive outcomes and identified areas for development and action to be monitored through ongoing performance review.

In October 2018 CIW also published a report into Foster Swansea Service which identified a well-managed service with quality assurance mechanisms in place. A number of recommendations for improvement were also made.

A Joint inspection took place of Youth Offending Services in Western Bay with a report published in March 2019 with a number of recommendations.

The **Estyn** profile of school inspections for 2018-2019 is very positive in all sectors. The secondary profile is one of the best in Wales. Between the summer term 2018 and spring term 2019 11 schools were inspected by Estyn

in Swansea. 10 schools were judged to be good or excellent in all the five areas that are inspected under the current framework. One school was judged adequate in the area of leadership and management but good in all other areas and is under Estyn review as a result. All inspection results and recommendations as well as other intelligence is discussed in monthly PFM meetings and appropriate support and challenge through the advisory team is identified as a result.

In February 2019 the Swansea Pupil Referral Unit (PRU) was inspected by Estyn who noted that the PRU provides a nurturing and supportive learning environment, which meets the wide range of pupil needs well. Standards, well-being, teaching and learning, care and support and leadership were all judged as good.

Estyn made two recommendations. Firstly to ensure that teachers make effective use of assessment outcomes to plan suitable next steps in their pupils' learning and to inform their individual education plans. Secondly to improve the provision to develop pupils' Welsh language skills across the curriculum, particularly for those transferring from Welsh medium schools. The PRU will continue to be accountable to the Management Committee and EOTAS Steering Group to ensure the vision for improved services for learners educated otherwise than at school is implemented and outcomes are improved further.

Overall the picture for Swansea compared to other authorities is very positive and against the trend of inspection results across Wales.

### **CORE EVIDENCE**

#### **12. Council & Cabinet**

The following provide assurance based on reports covering 2018/19. In some instances reports from 2017/18 are reflected in the Annual Governance Statement as the reports for 2018/19 are not yet available

- Council adopted a revised Corporate Plan 2018/22 *Delivering a Successful and Sustainable Swansea* on 25 October 2018. The annual review of the Well-being Objectives resulted in the addition of a sixth Objective – *Maintaining and enhancing Swansea's Natural Resources and Biodiversity* which aligns with the Public Service Boards' Well-being Objective "Working with Nature". The Corporate Plan sets out the Council's values and principles underpinning the delivery of the objectives and sets out how the Council will monitor progress through quarterly and annual performance monitoring reports.
- Performance on delivery of the Council's Well-being Objectives is monitored quarterly by Cabinet. Quarterly Reports contain outturn compliance with performance indicators and an overview of performance for each Objective

provided by Directors/Heads of Service. The End of Year Performance Monitoring Report for 2017/18 was presented to Cabinet in July 2018.

- The Annual Review of Performance 2017/18 was approved by Cabinet on 18/10/18 in accordance with the publishing requirements of the Local Government (Wales) Measure 2009. The report showed the results of each performance measure for the 5 Key Priorities ('Improvement Objectives') set out in the Corporate Plan 2017/22. The results showed that overall the Council has made significant progress undertaking the steps to meet its Well-being Objectives but that there were areas for development and lessons learnt.
- The Corporate Complaints Policy is in line with the Welsh Government Model Complaints Policy and was in place throughout 2018/19. It enables the public to tell the Council what they think about services. The Corporate Complaints Annual Report 2017/18 was presented to Cabinet on 17/1/2019. The report reflects the greater emphasis on prompt resolution of complaints and includes compliments about services. Whilst the total of complaints to the Public Service Ombudsman for Wales increased from 54 to 62 only 1 was upheld, 10 were resolved by quick fix/voluntary settlement, 1 was not upheld and the remaining referrals were either out of jurisdiction, premature or closed after initial consideration. There was an assurance that there were no s 16 Public Interest reports during the year.
- The Audit Committee Annual Report 2017/18 was presented to Council on 25/10/18 and outlined the assurance the Committee had gained over control, risk management and governance from various sources over the course of 2017/18. In particular, the report focused on the Performance Review facilitated by the Wales Audit Office and the key findings forming part of an ongoing Action Plan.
- The Equality Review Report 2017/18 was reported to Cabinet on 20 September 2018, which highlighted progress against the Equality Objectives. The report highlighted work linked to the core principles i.e. co-production, engagement and embedding of children's rights.
- The Welsh Language Annual Report 2017/18 went to Cabinet on 21 June 2018 and reflected progress and compliance on the 169 Welsh Language Standards with which the Council has to comply. The report contained an overview of activity and how the Council internally promotes the Welsh Language Standards with tools and information.
- There were a number of key reports presented to Cabinet/Council during 2018/19 including The Local Development Plan, which was approved by Council on 28 February 2019, and the Homelessness Strategy and Action Plan 2018-22 approved by Cabinet on 15 November 2018.

### 13. Committees

- 1.1 The **Scrutiny Programme Committee and Panels** met throughout 2018/19 and were supported by the Scrutiny Support Team. The **Scrutiny Annual Report 2017/18** was presented to Council on 25/10/18. 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 Scrutiny Programme Committee met on 16 occasions. In total, there were 91 panel and working group meetings during the year with 2 Inquiries relating to Equalities and the Natural Environment. Two Inquiry Panels reconvened to follow up actions agreed by Cabinet – CAMHS and Tackling Poverty. There was also pre decision scrutiny undertaken on a number of Cabinet reports and a high level of councillor commitment. The Council Constitution was also amended to provide for Call-in of Cabinet decisions by Scrutiny. The Call-In procedure was used on one occasion.
- There are well established links between the scrutiny function and Estyn, in respect of Education Services and School Improvement, and similarly with CIW (Care Inspectorate Wales), in respect of Audit Services and Child & Family Services. Scrutiny Performance Panels are routinely provided with relevant reports from Estyn and CIW, and are discussed as required. In November 2018 the Scrutiny Programme Committee agreed that Wales Audit Office reports should go to scrutiny and support the developing relationship. All Wales Audit Office local performance audit reports and relevant national Wales Audit Office reports (those with implications for local government) are included in the Scrutiny Work Programme and there is co-ordination with the Audit Committee. Regional scrutiny continues with ERW and City Deal.
  - The **Standards Committee** met on 3 occasions during 2018/19 and the **Standards Committee Annual Report 2017/18** was presented to Council on 20/9/18. The Committee is chaired by an independent person and is responsible for monitoring the ethical standards of the authority and maintaining the highest standards of conduct by elected councillors. The Committee commenced discussions with the Political Group Leaders as to ethical values within the council and this work is largely finalised and hopefully will form part of the Annual Report for 2018/19. The Standards Committee were also instrumental in ensuring the Ombudsman's Code of Conduct Casebook was considered and circulated to all members by the Monitoring Officer. There were only 6 cases of alleged breach of the code of conduct referred to the Ombudsman with 5 not investigated and one where no evidence was found of failure to comply. The Members Internal Dispute Resolution Process has not yet been utilised, underpins the strong commitment to, and provides assurance that the Council's Code of Conduct is adhered to.
  - The **Audit Committee** met on 10 occasions during 2018/19 and followed a structured work-plan, 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 who is also the Chair of the Committee. The Committee receive all Wales Audit Office reports once reported to Scrutiny Programme Committee. The Committee may decide

to track or prioritise specific proposals or recommendations in addition to the oversight provided by Scrutiny. This arrangement provides additional assurance that the Council responds and puts in place action plans to address any recommendations. The Committee also receives quarterly updates on the overall status of risk within the Council to give assurance that the risk management process is being followed. The Committee have chosen to track 3 corporate risks – Financial Control & Sustainable Swansea, City Centre and Decision to leave the EU monthly.

- During 2015/16 the governance structure for the Pension Fund was amended to include the Local Pension Board, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Terms of Reference for the Board were established and appropriate Board members were appointed. The Board convened meetings on 6 occasions during 2018/19.
- The **Pension Fund Committee** met on 6 occasions during 2018/19 and dealt with all issues relating to the governance of the Pension Fund. The Chair of the Pension Fund Committee also represents the Council on the Joint Governance Committee of the Wales Pension Partnership, a collaborative working arrangement between the 8 local government pension funds in Wales.

The **Democratic Services Committee** met on 3 occasions and considered the Social Media Guide for Councillors, the Councillors' Handbook and Personal Safety.

### **Significant Governance Issues**

The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement **2017/18** and the action taken during the year to address the issues.



Issue	Action Taken
<p><b>1. Budgetary pressures within the Council.</b></p> <p>The Council is facing unprecedented financial pressures and budget savings have to be made by departments in a timely manner.</p>	<ul style="list-style-type: none"> <li>• The budget position is tracked on a monthly basis at P&amp;FM, CMT and FSTG to monitor progress and highlight risk.</li> <li>• The sustainable development principals within Sustainable Swansea – Fit for the Future is embedded in to the budget setting process</li> <li>• The introduction of the reshaping board to further challenge for non delivery of savings</li> <li>• Linked to corporate risk CR80.</li> </ul>
<p><b>2. Sustainable savings</b> – there needs to be full consideration and robust business case underpinning savings proposals particularly relating to staff cuts. With wellbeing of future generations in mind sustainability of service, delivery together with mitigation of risks should be part of any proposals.</p>	<ul style="list-style-type: none"> <li>• CMT/Cabinet consider savings proposals in the context of equality impact assessments and well-being of future generations assessments so that any service delivery implications are assessed and monitored</li> <li>• Any risk associated with any saving proposal would be highlighted on the risk register as appropriate.</li> </ul>
<p><b>3. Regional working</b>– with collaboration/merger on national agenda going forward it is essential that not only are governance issues around regional working appropriate and transparent but also that regional working benefits CCS.</p>	<ul style="list-style-type: none"> <li>• Governance arrangements around regional and collaborative working are considered with advice from the legal/finance departments and associated governance documentation being drafted.</li> <li>• An Annual report on Regional Working will be presented to Cabinet and will include reference to the benefits to CCS. This will include City Deal, Western Bay and ERW and any new regional collaborations.</li> </ul>

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<p><b>4. Workforce capacity and performance-</b> Directorates have seen a reduction in staff resources and it is essential that workforce performance is monitored through an effective system of appraisal which supports and upskills existing officers.</p>	<ul style="list-style-type: none"> <li>• This is achieved by ongoing staff development through workforce planning and an appraisal system to ensure staff are performing and are being supported in their role</li> <li>• Where appraisals are not undertaken there are regular 1-2-1's and support to staff</li> </ul>
<p><b>5. Delivery of Leisure Partnership Report</b> to be done on an annual basis. This should include reference to activity with other entities within the group structure as part of the review of effectiveness of the system of internal control.</p>	<p>A combined Annual Leisure Partnership Report for 2015/16 and 2016/17 was reported to Council in July 2018.</p>
<p><b>6. Major projects</b> – significant officer time will continue to need to be dedicated to major projects to ensure transparency around decision making and good governance.</p>	<p>There was revised programme management around Sustainable Swansea, City Deal, City Centre Regeneration, 21<sup>st</sup> Century Schools and other significant projects with reporting to CMT by exception including the following project boards:</p> <ul style="list-style-type: none"> <li>- Regeneration Programme Board</li> <li>- Housing Futures Programme Board</li> <li>- Property Investment Board</li> <li>- 21<sup>st</sup> Century Schools Project Board</li> </ul>

The following table identifies issues which have been identified during the review of effectiveness, and also highlights any other significant governance issues that need to be considered, together with the proposed actions to be taken during **2019/20** to address the issues.



Significant Governance Issue linked to Framework	Action to be taken
<p><b>Maintaining sufficient financial discipline (revenue service spending) to deliver Corporate Objectives and Sustainable Swansea (red risk on Corporate Register)</b></p> <p>The Council will continue to face unprecedented financial challenge. It is essential that approved service savings are made in a timely way with full risks and impact being understood.</p>	<ul style="list-style-type: none"> <li>• Launch of Reshaping Board to monitor and challenge failure to deliver savings/overspending by Heads of Service</li> <li>• Robust challenge by CMT/Corporate Directors through P&amp;FM</li> <li>• Development of an integrated impact assessment approach to inform budget decisions and longer term sustainability of service provision.</li> </ul>
<p><b>Engagement and communication</b></p> <p>The views of the public, service users, staff and external partners must be taken into account in decisions impacting upon them. It is essential that there are sufficient structures in place to encourage and enable public participation.</p>	<ul style="list-style-type: none"> <li>• Ensure that there is adequate resources to enable participation</li> <li>• A renewed Engagement and Consultation Strategy</li> <li>• Develop a Co-Production Strategy</li> <li>• An integrated Impact Assessment process embedded in decision making around budget savings (to include Equality implications and Well-being of Future Generations considerations)</li> </ul>
<p><b>Performance Reviews</b></p> <p>Whilst there is a strong performance management system with regular supervision/training of staff evidenced across the authority there is evidence of inconsistency associated with the IT appraisal use.</p>	<ul style="list-style-type: none"> <li>• Review the corporate appraisal system to ensure it is fit for purpose</li> </ul>
<p><b>Project Governance</b></p> <p>It remains the position that significant officer time will need to be dedicated to major projects with which the Council is involved. Consideration will need to be given to adequately resourcing project teams to ensure strong and transparent governance arrangements are in place.</p>	<ul style="list-style-type: none"> <li>• All project leads should consider in advance the requirement for legal/finance/other input and ensure sufficient resources are made available for such assistance</li> <li>• Organisational capacity must be considered in preparation of business cases for project delivery</li> <li>• Significant project risks to be reported to CMT</li> </ul>

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<p><b>Decision to Leave the European Union</b></p> <p>Any consequences of leaving the European Union will have to be planned, monitored and managed.</p>	<ul style="list-style-type: none"> <li>• Formation of Brexit Steering Group</li> <li>• Testing/Review of Business Continuity Plans</li> <li>• Communication with partners/ stakeholders</li> </ul>
<p><b>Partnership/Collaboration/Regional Working Governance</b></p> <p>As there is increased drive for partnership/regional working the council will need to focus on ensuring the appropriate governance arrangements and benefit to Swansea residents.</p>	<ul style="list-style-type: none"> <li>• Ensuring adequate governance arrangements are in place</li> <li>• Reports to CMT/Cabinet/Council where appropriate reflecting on governance and benefit</li> <li>• Ensuring adequate scrutiny and audit arrangements are in place</li> <li>• Robust business case consideration</li> </ul>

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.

## *Glossary of Terms*

### **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.

### **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.

## *Glossary of Terms*

### **Liability**

A liability is an amount payable at some time in the future.

### **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.

## *Glossary of Terms*

### **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.

### **Revenue**

Income arising as a result of an Authority's normal operating activities.

### **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.

### **Service recipient**

A party that has contracted with an Authority to obtain goods or services that are an output of the Authority's normal operating activities in exchange for consideration.

### **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 losses 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.

## *Glossary of Terms*

### **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.