

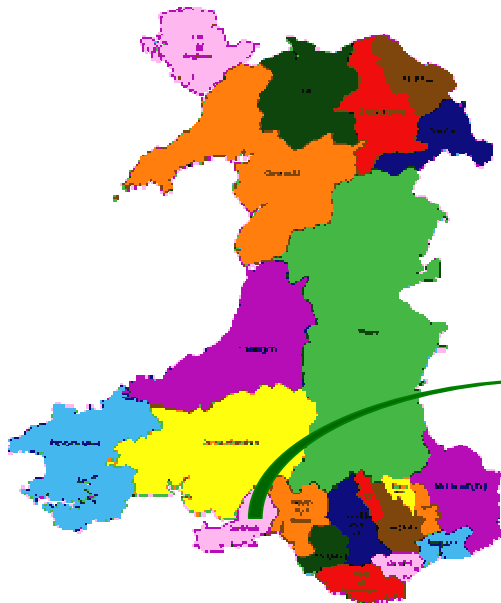
# Statement of Accounts 2012/13



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# INTRODUCTION



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

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

Approximately 238,700 people live within the boundaries of the Authority of which:

- 41,300 are aged under 16
- 50,800 are of pensionable age
- 20,800 are aged 75 years and over



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

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

Copies of these accounts can be obtained from:  
The Head of Financial Services  
City and County of Swansea  
Civic Centre  
Swansea  
SA1 3SN

## **EXPLANATORY FOREWORD**

The main elements of this Statement of Accounts comprises:-

- \* The Movement in Reserves Statement which shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- \* The Comprehensive Income and Expenditure Statement, which shows the income from, and spending on, Authority services for the year. It also shows how much money we get from the Welsh Government, business ratepayers and Council taxpayers together with the net deficit / surplus for the year.
- \* The Balance Sheet, showing a snapshot of the Authority's financial position at the 31st March 2013.
- \* 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 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 Pension Fund accounts, which show all contributions received and benefits paid for the year together with a snapshot of the financial position of the fund at the year end.
- \* The Group Accounts, which show the consolidated accounts of the Authority and its group companies.
- \* The Certificate and Statement of Responsibilities of the Head of Financial Services 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.

## ***EXPLANATORY FOREWORD***

**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.

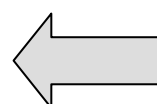
**Capital expenditure** covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing, capital grants and the sale of fixed assets. Amounts borrowed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

# EXPLANATORY FOREWORD

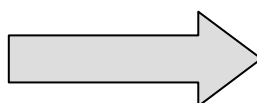
## Revenue spending in 2012/2013

	£'m	%
Revenue support grant	235.7	32
Non domestic rates	64.5	9
Council tax	103.1	14
Other income (rents, fees and charges, specific grants)	344.8	45
	<u>748.1</u>	<u>100</u>



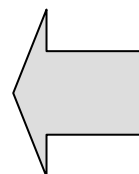
**Where our money comes from**

**What we spend it on**



	£'m	%
Employees	302.9	41
Capital charges	33.0	4
Running costs	383.7	51
Precepts/Levies	27.2	4
Reserve transfers	1.3	0
	<u>748.1</u>	<u>100</u>

	£'m	%
Education & Children's Services	277.8	38
Adult Social Services	98.1	13
Highways/transport	44.6	6
Culture & related services	34.2	5
Environmental and regulatory services	34.7	5
Planning services	25.8	2
Housing	169.2	23
Precepts/levies	27.2	3
Reserve transfers	1.3	0
Other	35.2	5
	<u>748.1</u>	<u>100</u>



**And the services it provides**

## **EXPLANATORY FOREWORD**

### **Authority services**

The revenue outturn position of the Authority for 2012/13 resulted in an increase in expenditure on services of £5.8m over the adjusted budget. In addition, the revenue outturn position reflects a further £1.8m of expenditure that was met from the Authority's contingency fund.

The major area of overspend related to the provision of Children's Social Services (£5.7m) which has largely arisen through ongoing increases in the number (and hence cost) of looked after children and associated legal costs, together with increased expenditure relating to court directed contact sessions.

### **Other budget variations**

Other budget savings during the year arose from reductions in capital repayments and interest charges (£0.614m) and increased income from Council Tax (£0.367m).

The above resulted in a reduced overall use of the Contingency Fund than was forecast in the third quarter financial monitoring report.

### **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. The net position of the fund for 2012/13 resulted in a net decrease in HRA reserves at year end of £4.063m (2011/12 net decrease £0.116m).

## EXPLANATORY FOREWORD

### Capital spending in 2012/13

	£'000
External borrowing	19,023
Government grants	26,936
European grants	3,509
Other grants/contributions	1,587
Capital receipts	4,982
Revenue and reserves	19,217
Financing of previous years	1,834
	77,088

*Where our money comes from*

*What services we spend it on*

	£'000
Resources	189
Education	9,343
Environment	17,103
Regeneration and Housing	50,367
Social Services	86
	77,088

*Some of the assets it provided*

<b>Education</b>	<b>£'000</b>	<b>Highways and Transportation</b>	<b>£'000</b>
Morryston Comprehensive	5,730	Footway resurfacing	684
Cefn Hengoed Refurbishment	1,460	Highways Carriageways	1,767
Bishopston Comp STF	578	Swansea Bus Station	473
Schools Capital Maintenance	2,811	Road Safety Traffic	763
		Street Lighting	1,003
<b>Housing</b>		Clydach cycleway	519
HRA BISF Houses Penlan	2,200		
HRA Door/window renewals	3,628	<b>Economic Development</b>	
HRA Adaptation works	3,517	Tawe Bridges	608
HRA Boiler replacements	4,169	Boulevard road works	1,084
HRA Weatherproofing	5,223	Waterfront Connections	390
HRA Security works	1,734	Felindre infrastructure works	1,596
HRA Rewiring	1,176	Demolition of Oldway House	1,263
Housing DFG Grants	3,963		
Hafod Renewal Area	1,649	<b>Other Services</b>	
Housing other grants/loans	603	Glyn Vivian refurbishment	699
		St Helens watersports centre	656
		Cwmdonkin Park refurbishment	791
		Guildhall Refurbishment	3,982
		Tir John Landfill Site	9,267
		Other Buildings Capital Maintenance	1,788



## **EXPLANATORY FOREWORD**

The Authority maintains a number of provisions and reserves. Provisions are disclosed in Note 20 on pages 75 and 76. The information regarding reserves are disclosed in the Movement in Reserves Statement on pages 11 to 13 and Note 7 on page 53.

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 2013.

Reserves are amounts set aside in the accounts for purposes falling outside the definition of provisions. Transfers to and from reserves are distinguished from service expenditure in the statement of accounts.

At the end of the year, the Authority's revenue reserve balances amounted to £79.135m (2011/12 £76.773m).

### **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 2013 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 2012/13 relates to the valuation undertaken on 31st March 2010.

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 2008 which was designed to have a material and beneficial effect on the projected cost of the scheme over future years.

### **Group Accounts**

The 2012/13 Statement contains Group Accounts which show the consolidated position of the City & County of Swansea and its subsidiary/related companies.

## **EXPLANATORY FOREWORD**

### **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 2012/13. The code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The 2012/13 CIPFA Code of Practice on Local Authority Accounting requires additional disclosures in respect of non-cash movements included in the Cashflow Statement. The non-cash movements for 2012/13 and the prior year have been disclosed in the statement of accounts.

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

On 14th February 2013 the Authority approved a medium term financial plan which highlighted potential revenue shortfalls rising from £5m in 2014/15 to £34.6m in 2016/17.

That report also contained a range of potential savings options including cumulative reductions in management, supervision and administrative employee costs of £5m together with the potential remodelling of service delivery across some areas of the Authority's activities.

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

Whilst the precise details of funding available for 2014/15 and beyond have not been announced current indications are that an overall reduction in support of circa 20% is quite feasible. The Authority is already undertaking initial work to plan for such reductions.

The Authority faces a challenging agenda including 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 arising from the review of pension arrangements for all staff recently announced and likely to be subject to implementation from 1st April 2014.

### **Further information**

You can get more information about the accounts from the Head of Financial Services, City and County of Swansea, Civic Centre, Swansea, SA1 3SN.

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

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

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

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

## MOVEMENT IN RESERVES STATEMENT

	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 2011</b>	<b>6,135</b>	<b>50,119</b>	<b>15,438</b>	<b>16,928</b>	<b>14,051</b>	<b>102,671</b>	<b>225,636</b>	<b>328,307</b>
<b>Movement in reserves during 2011/12</b>								
Surplus on the provision of services	-32,104	0	-116	0	0	-32,220	0	-32,220
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	-126,517	-126,517
<b>Total Comprehensive Income and Expenditure</b>	<b>-32,104</b>	<b>0</b>	<b>-116</b>	<b>0</b>	<b>0</b>	<b>-32,220</b>	<b>-126,517</b>	<b>-158,737</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	35,862	0	1,071	-3,471	5,900	39,362	-39,362	0
<b>Net Increase before Transfers to Earmarked Reserves</b>	<b>3,758</b>	<b>0</b>	<b>955</b>	<b>-3,471</b>	<b>5,900</b>	<b>7,142</b>	<b>-165,879</b>	<b>-158,737</b>
Transfers from / to Earmarked Reserves (Note 7)	-3,616	4,319	-335	-368	0	0	0	0
<b>Increase/Decrease in 2011/12</b>	<b>142</b>	<b>4,319</b>	<b>620</b>	<b>-3,839</b>	<b>5,900</b>	<b>7,142</b>	<b>-165,879</b>	<b>-158,737</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>6,277</b>	<b>54,438</b>	<b>16,058</b>	<b>13,089</b>	<b>19,951</b>	<b>109,813</b>	<b>59,757</b>	<b>169,570</b>

## MOVEMENT IN RESERVES STATEMENT

	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 2012 brought forward</b>	<b>6,277</b>	<b>54,438</b>	<b>16,058</b>	<b>13,089</b>	<b>19,951</b>	<b>109,813</b>	<b>59,757</b>	<b>169,570</b>
<b>Movement in reserves during 2012/13</b>								
(Deficit) on the provision of services	-13,516	0	-4,063	0	0	-17,579	0	-17,579
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	8,172	8,172
<b>Total Comprehensive Income and Expenditure</b>	<b>-13,516</b>	<b>0</b>	<b>-4,063</b>	<b>0</b>	<b>0</b>	<b>-17,579</b>	<b>8,172</b>	<b>-9,407</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	17,906	0	1,935	-2,226	5,212	22,827	-22,827	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>	<b>4,390</b>	<b>0</b>	<b>-2,128</b>	<b>-2,226</b>	<b>5,212</b>	<b>5,248</b>	<b>-14,655</b>	<b>-9,407</b>
Transfers to/from Earmarked Reserves (Note 7)	2,488	-2,416	28	-100	0	0	0	0
<b>Decrease/Increase in Year</b>	<b>6,878</b>	<b>-2,416</b>	<b>-2,100</b>	<b>-2,326</b>	<b>5,212</b>	<b>5,248</b>	<b>-14,655</b>	<b>-9,407</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>13,155</b>	<b>52,022</b>	<b>13,958</b>	<b>10,763</b>	<b>25,163</b>	<b>115,061</b>	<b>45,102</b>	<b>160,163</b>

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2011/12			2012/13			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
26,735	-22,882	3,853	Central services to the public	26,996	-23,276	3,720
42,723	-10,901	31,822	Cultural and related services	34,241	-10,969	23,272
271,543	-53,704	217,839	Education and children's services	277,790	-55,774	222,016
45,692	-23,721	21,971	Highways and transport services	44,640	-24,036	20,604
52,647	-48,238	4,409	Local authority housing (HRA)	57,888	-50,028	7,860
105,812	-102,473	3,339	Other housing services	111,270	-107,836	3,434
92,495	-25,873	66,622	Adult social care	98,086	-29,635	68,451
34,435	-15,063	19,372	Environmental and regulatory services	34,697	-14,406	20,291
27,120	-16,629	10,491	Planning services	25,827	-14,659	11,168
26,981	-9,724	17,257	Corporate and democratic core	14,031	-10,105	3,926
10,388	-2,191	8,197	Non distributed costs - other	16,522	-2,186	14,336
<b>736,571</b>	<b>-331,399</b>	<b>405,172</b>	<b>Cost of Services</b>	<b>741,988</b>	<b>-342,910</b>	<b>399,078</b>

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2011/12			2012/13			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
25,694	0	25,694	Other operating expenditure (Note 8)	26,432	0	26,432
90,672	-53,024	37,648	Financing and investment income and expenditure (Note 9)	76,648	-51,276	25,372
0	-436,294	-436,294	Taxation and non-specific grant income (Note 10)	0	-433,303	-433,303
		<b>32,220</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>17,579</b>
		-10,933	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 21)			-58,972
		137,450	Actuarial (gains) / losses on pension assets / liabilities (Note 21)			50,800
		<b>126,517</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-8,172</b>
		<b>158,737</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>9,407</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'.

<b>31 March 2012 £'000</b>	<b>Notes</b>	<b>31 March 2013 £'000</b>
<b>Property, Plant &amp; Equipment</b>	11	
104,951 Council Dwellings		112,652
497,790 Other Land and Buildings		538,598
12,679 Vehicles, Plant, Furniture and Equipment		11,437
220,388 Infrastructure Assets		220,894
12,062 Community Assets		11,713
2,767 Surplus Assets		7,294
10,598 Assets under Construction		12,099
<b>861,235</b>		<b>914,687</b>
25,225 Heritage Assets	12	26,096
115,580 Investment Properties	13	114,202
2,145 Intangible Assets	14	1,610
5,356 Long Term Investments	15	74
685 Long Term Debtors		906
<b>1,010,226 Long Term Assets</b>		<b>1,057,575</b>
92,315 Short Term Investments	15	83,724
2,487 Assets Held for Sale	18	1,269
1,904 Inventories		2,177
53,481 Short Term Debtors	16	57,294
30,180 Cash and Cash Equivalents	17	27,413
<b>180,367 Current Assets</b>		<b>171,877</b>
-31,310 Short Term Borrowing	15	-11,688
-53,917 Short Term Creditors	19	-55,960
-32,158 Provisions	20	-37,937
<b>-117,385 Current Liabilities</b>		<b>-105,585</b>



## BALANCE SHEET

31 March 2012 £'000	Notes	31 March 2013 £'000
-3,025 Long Term Creditors	15	-3,484
-9,245 Provisions	20	-14,519
-325,888 Long Term Borrowing	15	-320,101
-565,480 Other Long Term Liabilities	38	-625,600
<b>-903,638 Long Term Liabilities</b>		<b>-963,704</b>
<b>169,570 Net Assets</b>		<b>160,163</b>
<b>Usable Reserves</b>		
6,277 Balances - General Fund		13,155
16,058 Balances - Housing Revenue Account	7	13,958
13,089 Capital Receipts Reserve		10,763
19,951 Capital Grants Unapplied Account		25,163
54,438 Earmarked Reserves	7	52,022
<b>109,813</b>		<b>115,061</b>
<b>Unusable Reserves</b>		
114,960 Revaluation Reserve		167,061
-565,480 Pensions Reserve		-625,600
520,057 Capital Adjustment Account		512,649
-1,191 Financial Instrument Adjustment Account		-1,321
-8,589 Accumulated Absences Account		-7,687
<b>59,757</b>	21	<b>45,102</b>
<b>169,570 Total Reserves</b>		<b>160,163</b>

These financial statements replace the financial statements certified on 25th September 2013.

## **CASH FLOW STATEMENT**

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

<b>2011/12</b>	<b>2012/13</b>
<b><u>£'000</u></b>	<b><u>£'000</u></b>
-32,220 Net surplus / (deficit) on the provision of services	-17,579
104,326 Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	88,402
-42,212 Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and finance activities	-37,242
<hr/> 29,894 Net cash flows from operating activities (note 22)	<hr/> 33,581
-20,154 Investing activities (note 23)	-10,939
13,448 Financing activities (note 24)	-25,409
<hr/> 23,188 Net (decrease) or increase in cash and cash equivalents	<hr/> -2,767
6,992 Cash and cash equivalents at the beginning of the reporting period	30,180
<hr/> <b>30,180 Cash and cash equivalents at the end of the reporting period (note 17)</b> <hr/> <hr/>	<hr/> <b>27,413</b> <hr/> <hr/>

# NOTES TO THE ACCOUNTS

## 1. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005. 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 2012/13 (the Code) and the Service Reporting Code of Practice 2012/13, 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 Accounts are prepared on a going concern basis.

### ii. Accruals of Income and Expenditure

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

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

Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

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

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

## **NOTES TO THE ACCOUNTS**

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.

### **iv. Exceptional Items**

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

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

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

## **NOTES TO THE ACCOUNTS**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events or conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There were no material errors to report in 2012/13.

As part of a review of Property, Plant and Equipment changes in assumptions have been made regarding the remaining useful lives of most operational assets that were subject to revaluation during 2012/13.

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

### **vi. Charges to Revenue for Non-Current Assets**

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

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

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.

## **NOTES TO THE ACCOUNTS**

### **vii. Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and bonuses. Any non-monetary benefits for current employees are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

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

#### **Post Employment Benefits**

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

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

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

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

# NOTES TO THE ACCOUNTS

## The Local Government Pension Scheme

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

- The liabilities of the City and County of Swansea pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds as required by IAS 19.
- The assets of the City and County of Swansea pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - industry accepted techniques
  - unitised securities - current bid price
  - property - market value.
- The change in the net pensions liability is analysed into seven components:
  - 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 arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - 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 - debited to the Pensions Liability.

## **NOTES TO THE ACCOUNTS**

- contributions paid to the City and County of Swansea pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The 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.

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



# NOTES TO THE ACCOUNTS

## ix. Financial Instruments

### Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. This accounting treatment is dependent upon the exchange meeting strict conditions i.e. the exchange of loan instruments and the settlement of any fees or costs incurred must take place on the same day.

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

### Financial Assets

Financial assets are classified into three types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market,

## **NOTES TO THE ACCOUNTS**

- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments,
- fair value through Profit and Loss,
- Unquoted equity instrument where no reliable fair value can be determined therefore valued at cost.

### **Loan and Receivables**

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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.

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

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

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

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

### **xii. Heritage Assets**

Heritage Assets were disclosed in the Statement of Accounts for the first time as at 31st March 2012 with appropriate prior year restatement. A list was produced of potential heritage assets following consultation with Heads of Service and subsequently existing heritage assets were reclassified and new assets recognised for inclusion into this new category.

All the Authority's Heritage Assets are held and maintained principally for the contribution to local knowledge and culture, with historical, artistic or environmental associations that make their preservation for future generations important. The Authority's Heritage Assets held are mainly donated to the Authority by individuals or other organisations and are principally located within the Authority's Museum Services.

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).

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 are 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 per the Authority's standard asset disposal procedures.

Heritage Assets are measured in the balance sheet at valuation rather than fair value, reflecting the fact that exchange of heritage assets are uncommon. Valuations 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).

In some cases it may not be practicable to establish a valuation therefore the asset will be carried at historic cost.

## **NOTES TO THE ACCOUNTS**

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.

Heritage Assets recognised in the balance sheet are listed in Note 12 to the Accounts.

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 (however, these items are disclosed in Note 46 to the Accounts).

### **The Authority's grouping of heritage assets are:**

- Heritage Land, Buildings and Infrastructure
- Art & Museums
- Memorials
- Civic Regalia
- Furniture, Fixtures and Fittings
- Transport
- Archive Collections
- Other (e.g. Items not held in Museums).

### **xiii. Intangible Assets**

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance 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.

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

### **xvi. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Investment properties are not depreciated and from 2012/13 the method of valuation has been based on a Beacon approach, revalued annually according to market conditions at the year-end. Beacon assets have been selected from a range of categories within Investment Properties, for the remaining assets held in Investment Properties, an index was applied using the average percentage change in the Beacon assets per category in order to produce an intermediate valuation for reflection within the Statement of Accounts. 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.

## **NOTES TO THE ACCOUNTS**

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

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

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

### **xviii. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **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).

## **NOTES TO THE ACCOUNTS**

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).

### **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.



## **NOTES TO THE ACCOUNTS**

When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### **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 Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

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

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### **xx. Property, Plant and Equipment**

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

# NOTES TO THE ACCOUNTS

## 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.

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, community assets and assets under construction - depreciated historical cost,
- council dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH),
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

## **NOTES TO THE ACCOUNTS**

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

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

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

### **Impairment**

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

Where impairment losses are identified, they are accounted for as follows:

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

- traditional dwellings - straight-line allocation over the estimated useful life of the property (80 years),
- non traditional dwellings - straight-line allocation over the estimated useful life of the property (30 years),
- other buildings - straight-line allocation over the estimated useful life of the property (40 years),
- vehicles, plant, furniture and equipment - straight line allocation over the estimated useful life of the asset (5 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, three 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 assets for council dwellings and other land and building asset categories revalued per the standard five year rolling programme since 1st April 2010.

#### 1. Suitability of assets.

For the 2012-13 Statement of Accounts, the Authority deemed all assets assessed per the rolling program, to be of a suitable significant nature. Asset valuation therefore reflected assessment of component apportionment and respective remaining estimated useful economic life.

#### 2. Difference in rate or method 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, or that require a different method of depreciation will be identified for componentisation.

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

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

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

This apportionment will be reviewed annually.

## **NOTES TO 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.

Revaluations of the Council's property assets will continue to be undertaken on a 5 yearly rolling programme basis, at which point the revaluation takes into account the value and condition of the assets, relevant components and also de-recognition where relevant.

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

This asset componentisation assessment exercise will be repeated following the Authority established revaluation rolling programme.

### **Indexation**

Some of the assets in the categories of Other Land and Buildings and Investment Properties were not assessed for change in value within the 2012-13 period as part of the Authority 5 year rolling programme but the index value was applied in order to produce an intermediate valuation for reflection within the Statement of Accounts.

The index applied is an assessment of assets capital growth according to Swansea local data. This was obtained from the assessment of similar property types within the Authority via an annual assessment exercise, against the UK published Annual Property Results for the year to 31 December 2012. (this includes IPD and BCIS Public Sector tender prices).

This exercise will be repeated in each of the 4 years between its 5 year full valuation assessment in order to minimise any potential value discrepancies caused by relevant asset market fluctuations.

Any change in asset valuation is reflected per normal IFRS accounting requirements.

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Subsequently where fair value less costs to sell falls below the carrying amount, the difference is posted as a loss to Other Operating Expenditure in the Surplus or Deficit on the Provision of Services. Where fair value less costs to sell rises above the carrying amount, a revaluation gain is recognised, but only to the extent that impairment or revaluation losses have been charged to the Surplus or Deficit on the Provision of Services in the past that have not previously been reversed. Depreciation is not charged on Assets Held for Sale.

## **NOTES TO THE ACCOUNTS**

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.

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

#### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate 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.

## **NOTES TO THE ACCOUNTS**

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 has not yet implemented a pay and grading structure that is considered equal pay compliant.

As such the Authority has made provision in respect of claims expected and received in respect of potential payments to date.

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

## **NOTES TO THE ACCOUNTS**

### **xxii. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

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

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

### **xxiv. VAT**

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

The Authority undertakes an annual review of its de-minimus VAT position under s33 of the VAT Act 1993 as required by HMRC. For the year ended 31st March 2013 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.



## **NOTES TO THE ACCOUNTS**

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

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31st March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy costs.

## **NOTES TO THE ACCOUNTS**

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) has introduced accounting policy changes in relation to the following -

- IAS 19 Employee Benefits
- IFRS 7 Financial Instruments: Disclosures

The changes regarding IAS 19 Employee Benefits relate to accounting for pensions and post-employment benefits. There is an impact on the presentation of changes in the assets and liabilities arising from defined benefit plans including the recognition of remeasurments in Other Comprehensive Income. The effect of which is not reasonable estimable. These changes will result in enhanced disclosure requirements for defined benefit plans. This is a change in accounting policy that will require an additional Balance Sheet for the beginning of the earliest comparative period.

The Code has introduced IFRS 7 changes in relation to the disclosures of the financial instruments of the Authority. The changes allow the offsetting of financial assets and liabilities. This will result in a change in accounting policy therefore if material an additional Balance Sheet will be required for the beginning of the earliest comparative period.

The change in accounting policy will occur on 1st April 2013, therefore the changes to these standards will be reflected for the first time in the 2013/14 statement of accounts.

The Code has deferred the adoption of IFRS 13 Fair Value Measurement to the 2014/15 Code.

### **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 14th February 2013 detailed significant forecast revenue funding shortfalls over the medium term. Current indications are that there will be significant reductions in Revenue and Capital support from Central Government from 2014/15 onwards. Whilst the Authority will consider future spending plans in line with projected funding announcements there is no indication at present that any of the assets of the Authority may be impaired as a result of a need to close facilities and reduce the level of service provision.

## **NOTES TO THE ACCOUNTS**

- The Authority is at present in the process of introducing an equality compliant pay and grading structure for its employees. At the same time, the Authority is facing a significant number of claims from past and existing employees based on equal pay grounds. In setting aside reserves and provisions to meet these potential liabilities the Authority is confident that it has sufficient resource to meet outstanding and potential liabilities arising from equal pay issues.

- The Government has announced 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 to be introduced in 2015, with changes to employee contribution rates from April 2012. These changes do not indicate that the finances of the Authority will be adversely affected by the changes. Recent announcements regarding a re-modelled Local Government Pension scheme to be introduced from 1st April 2014 do not indicate that the finances of the Authority will be adversely affected by any changes proposed.

- In line with accounting standards the Authority has made a significant provision in respect of final remedial work and future maintenance/monitoring of its major waste disposal site at Tir John. Assumptions regarding remediation and aftercare costs have been based on legal requirements to monitor the site for a period of 60 years following closure and have been calculated taking into account commitments currently within the Councils Capital Programme.

- The Authority is undertaking a fundamental review 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.

#### **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 2013 for which there is a significant risk of material adjustment in the forthcoming year are as follows:-

## **NOTES TO THE ACCOUNTS**

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Property, Plant and Equipment	<p>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 significant number of assets revalued in 2012/13 in line with professional judgement.</p>	<p>To the extent that useful lives have been determined wrongly 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>
Provisions	<p>The Authority has set aside specific provisions to meet the cost of known equal pay claims and potential costs arising from the introduction of an equality compliant pay and grading structure. The provision is based on the Authority's best estimate of the likely costs of settling the liability.</p> <p>In addition as previously mentioned, the Authority has made a significant capital provision for the future remediation and maintenance of major land refuse disposal sites. Uncertainty arises because of the 60 year timescale for liability on this issue.</p>	<p>The Authority has also set aside reserves to mitigate against any potential additional costs arising in future years from equal pay implementation. The Authority would seek to make good any shortfall in the provision by use of these reserves and / or by applying for capitalisation directions from the Welsh Government.</p> <p>Any shortfall in future years will have to be funded via the capital programme.</p>

## **NOTES TO THE ACCOUNTS**

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from Assumptions</b>
Pension liabilities	The Authority's share of the Local Government pension fund liability as at 31st March 2013 is £625.6m. 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. At the same time, the Government has announced potential changes to the nature and substance of the Local Government Pension Scheme which are likely, if implemented, to lead to an improvement in the position as stated.	The Pension Fund is designed to be sustainable over the long term and it is unlikely that there will be any significant short term impact on the Authority's finances arising from any assumptions currently made or decisions that are likely in the coming financial year.
Insurance Provisions and Reserves	The Authority has set aside provisions to meet contractual excess amounts from known and existing insurance claims. In deciding the level of provision to make in respect of ongoing claims, the Authority has taken advice from its legal advisers and or its contracted loss adjusters. The Authority also maintains an insurance reserve which is used to meet the cost of future unforeseen events based on previous experience.	Should the sums set aside prove insufficient to meet these payments there would be an immediate revenue effect in the year that the available sums were exhausted. Equally, the Authority regularly reviews the level of both provisions and reserves with a view to releasing funds back to revenue if appropriate.

### **5. Material items of income and expense**

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

## **NOTES TO THE ACCOUNTS**

- Reflect the current estimate of liability by way of provision within the Accounts.
- Fund the increase in provision by way of a transfer from reserves previously earmarked for this purpose.

The effect of this is to create a revenue charge within the Comprehensive Income and Expenditure Statement of £4.2m (2011/12 £9.74m), which is reflected in an equal and opposite transfer from earmarked reserves within the Movement in Reserves Statement.

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

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

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

#### **General Fund Balance**

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

#### **Housing Revenue Account Balance**

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

## NOTES TO THE ACCOUNTS

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

**2012/13**

	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	42,892	27,116	0	0	-70,008
Revaluation losses on Property Plant and Equipment	3,698	6	0	0	-3,704
Movement in the fair value of Investment Properties	-822	367	0	0	455
Amortisation of intangible assets	750	0	0	0	-750
Capital grants and contributions applied	-23,033	-9,000	0	0	32,033

## NOTES TO THE ACCOUNTS

2012/13

	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000
Revenue expenditure funded from capital under statute	9,233	0	0	0	-9,233
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	-13,312	-1,423	0	0	14,735
Capital expenditure charged against the General Fund and HRA balances	-3,382	-15,835	0	0	19,217
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-28,142	-9,100	0	37,242	0
Application of grants to capital financing transferred to the Capital Adjustment Account	23,033	9,000	0	-32,033	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the loss/gain on disposal to the Comprehensive Income and Expenditure Statement	-747	0	3,450	0	-2,703
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-716	0	716
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	-4,962	0	4,962



## NOTES TO THE ACCOUNTS

2012/13

	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	31	93	0	0	-124
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 21)	41,901	2,109	0	0	-44,010
Employer's pensions contributions and direct payments to pensioners payable in the year	-33,287	-1,403	0	0	34,690
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-907	5	0	0	902
<b>Total Adjustments</b>	<b>17,906</b>	<b>1,935</b>	<b>-2,228</b>	<b>5,209</b>	<b>-22,822</b>

## NOTES TO THE ACCOUNTS

### 2011/12 Comparative Figures

	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation and impairment of non-current assets	38,046	20,320	0	0	-58,366
Revaluation losses on Property Plant and Equipment	18,834	89	0	0	-18,923
Movement in the fair value of Investment Properties	14,347	-47	0	0	-14,300
Amortisation of intangible assets	760	0	0	0	-760
Capital grants and contributions applied	-26,982	-9,100	0	0	36,082
Revenue expenditure funded from capital under statute	8,685	0	0	0	-8,685
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	-13,669	-1,464	0	0	15,133
Capital expenditure charged against the General Fund and HRA balances	-3,532	-9,254	0	0	12,786
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-32,882	-9,100	0	41,982	0

## NOTES TO THE ACCOUNTS

### 2011/12 Comparative Figures

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Application of grants to capital financing transferred to the Capital Adjustment Account	26,982	9,100	0	-36,082	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	-440	0	3,217	0	-2,777
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	-590	0	590
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	-6,098	0	6,098
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	31	101	0	0	-132

## NOTES TO THE ACCOUNTS

### 2011/12 Comparative Figures

	Usable Reserves				Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 21)	38,894	1,746	0	0	-40,640
Employer's pensions contributions and direct payments to pensioners payable in the year	-33,391	-1,308	0	0	34,699
<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	183	-12	0	0	-171
<b>Total Adjustments</b>	<b>35,866</b>	<b>1,071</b>	<b>-3,471</b>	<b>5,900</b>	<b>-39,366</b>

## NOTES TO THE ACCOUNTS

### 7. Transfers To / From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14.

	Balance at 1st April 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31st March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31st March 2013 £'000
<b>General Fund:</b>							
Balances held by schools under the scheme of delegation	3,628	-9	1,503	5,122	-92	1,469	6,499
Primary School Sickness Scheme Reserve	871	-871	802	802	-802	637	637
Capital financing charges reserve	1,708	0	0	1,708	0	0	1,708
Other equalisation reserves	812	0	0	812	0	0	812
Information technology reserves	1,426	-592	0	834	-11	0	823
Contingency reserve	4,540	-6,098	6,374	4,816	-6,715	1,899	0
Development reserves	3,262	-57	494	3,699	-11	428	4,116
Insurance reserves	14,415	-1,305	3,905	17,015	-9,132	10,936	18,819
Other earmarked revenue reserves	17,266	-5,433	3,767	15,600	-8,242	6,150	13,508
Revenue reserve earmarked to fund future capital expenditure	2,191	0	1,839	4,030	-373	1,443	5,100
<b>Total</b>	<b>50,119</b>	<b>-14,365</b>	<b>18,684</b>	<b>54,438</b>	<b>-25,378</b>	<b>22,962</b>	<b>52,022</b>
<b>HRA:</b>							
Housing Revenue Account	15,438	0	620	16,058	-2,100	0	13,958

## **NOTES TO THE ACCOUNTS**

### **8. Other Operating Expenditure**

<b>2011/12</b>	<b>2012/13</b>
<b>£'000</b>	<b>£'000</b>
821 Community Council precepts	854
14,096 South Wales Police Authority precept	14,876
11,217 Levies and Contributions	11,449
-440 Gains/losses on the disposals of non-current assets	-747
<b>25,694</b>	<b>26,432</b>

### **9. Financing and Investment Income and Expenditure**

<b>2011/12</b>			<b>2012/13</b>		
<b>Gross Exp</b>	<b>Gross Income</b>	<b>Net Exp</b>	<b>Gross Exp</b>	<b>Gross Income</b>	<b>Net Exp</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
18,582	0	18,582	18,274	0	18,274
57,010	-46,380	10,630	57,980	-44,480	13,500
0	-1,332	-1,332	0	-1,095	-1,095
15,080	-5,312	9,768	394	-5,701	-5,307
<b>90,672</b>	<b>-53,024</b>	<b>37,648</b>	<b>76,648</b>	<b>-51,276</b>	<b>25,372</b>

### **10. Taxation and Non Specific Grant Income**

<b>2011/12</b>	<b>2012/13</b>
<b>£'000</b>	<b>£'000</b>
-101,600 Council tax income	-103,105
-55,556 Non domestic rates	-64,518
-242,743 Non-ringfenced government grants	-235,656
-36,395 Capital grants and contributions	-30,024
<b>-436,294</b>	<b>-433,303</b>

## NOTES TO THE ACCOUNTS

### 11. Property, Plant and Equipment Movement on Balances

Movements in 2012/13:

	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 2012	106,567	538,064	29,247	312,587	15,988	2,837	10,598	1,015,888
additions (Cap Exp)	25,303	20,455	2,736	8,434	594	267	10,006	67,795
additions (Other)	0	15	0	0	0	3	0	18
revaluation increases / (decreases) recognised in the Revaluation Reserve	8,898	32,682	-10	0	0	-425	0	41,145
revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-5	-3,760	-788	0	0	2	0	-4,551
impairment losses recognised in the Surplus/Deficit on the Provision of Services	-25,303	-9,236	0	-635	-614	0	0	-35,788
derecognition - disposals	0	0	-828	0	0	0	0	-828
assets reclassified to Held for Sale	-867	-596	0	0	0	673	0	-790

## NOTES TO THE ACCOUNTS

Movements in 2012/13:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
reclassifications Cap Ex WIP	0	8,038	0	24	21	0	-8,505	-422
other reclassifications	0	-2,927	0	1,155	0	4,107	0	2,335
other movements in cost or valuation	0	-24	0	-95	0	0	0	-119
<b>At 31 March 2013</b>	<b>114,593</b>	<b>582,711</b>	<b>30,357</b>	<b>321,470</b>	<b>15,989</b>	<b>7,464</b>	<b>12,099</b>	<b>1,084,683</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2012	-1,616	-40,274	-16,568	-92,199	-3,926	-70	0	-154,653
depreciation charge	-1,783	-19,714	-3,914	-8,377	-350	-82	0	-34,220
depreciation written out to the Revaluation Reserve	1,458	15,416	10	0	0	-49	0	16,835
depreciation written out to the Surplus/Deficit on the Provision of Services	0	435	724	0	0	22	0	1,181
impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0



## NOTES TO THE ACCOUNTS

Movements in 2012/13:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
derecognition - disposals	0	0	828	0	0	0	0	828
other movements in depreciation and impairment	0	24	0	0	0	9	0	33
<b>At 31 March 2013</b>	<b>-1,941</b>	<b>-44,113</b>	<b>-18,920</b>	<b>-100,576</b>	<b>-4,276</b>	<b>-170</b>	<b>0</b>	<b>-169,996</b>

### Net Book Value

<b>at 31 March 2012</b>	<b>104,951</b>	<b>497,790</b>	<b>12,679</b>	<b>220,388</b>	<b>12,062</b>	<b>2,767</b>	<b>10,598</b>	<b>861,235</b>
<b>at 31 March 2013</b>	<b>112,652</b>	<b>538,598</b>	<b>11,437</b>	<b>220,894</b>	<b>11,713</b>	<b>7,294</b>	<b>12,099</b>	<b>914,687</b>

Comparative Movements in 2011/12:

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
At 1 April 2011	105,006	564,349	29,544	302,135	15,988	2,784	1,696	1,021,502
additions(Cap Exp)	18,582	7,307	1,708	10,953	0	0	9,512	48,062
additions(Other)	0	127	0	0	0	115	0	242
revaluation increases recognised in the Revaluation Reserve	2,309	-5,995	-44	0	0	-117	0	-3,847

## NOTES TO THE ACCOUNTS

Comparative Movements in 2011/12:

	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
revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-10	-16,721	-887	0	0	-41	0	-17,659
impairment losses/reversals recognised in the Surplus/Deficit on the Provision of Services	-18,582	-5,560	0	-722	0	0	0	-24,864
Derecognition - Disposals	0	0	-1,541	0	0	0	0	-1,541
assets reclassified to Held for Sale	-738	-685	-181	0	0	-175	0	-1,779
reclassifications Cap Ex WIP	0	0	45	221	0	0	-266	0
other reclassifications	0	-4,945	594	0	0	199	0	-4,152
other movements in cost or valuation	0	187	9	0	0	72	-344	-76
<b>At 31 March 2012</b>	<b>106,567</b>	<b>538,064</b>	<b>29,247</b>	<b>312,587</b>	<b>15,988</b>	<b>2,837</b>	<b>10,598</b>	<b>1,015,888</b>

## NOTES TO THE ACCOUNTS

Comparative Movements in 2011/12:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	-1,942	-30,765	-14,481	-84,182	-3,537	-55	0	-134,962
depreciation charge	-1,711	-18,906	-4,324	-8,017	-389	-57	0	-33,404
depreciation written out to the Revaluation Reserve	2,037	6,633	47	0	0	22	0	8,739
depreciation written out to the Surplus/Deficit on the Provision of Services	0	2,705	701	0	0	7	0	3,413
impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	-2	0	0	0	0	0	-2
Derecognition - Disposals	0	0	1,541	0	0	0	0	1,541

## NOTES TO THE ACCOUNTS

Comparative Movements in 2011/12:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
other movements in depreciation and impairment	0	61	-52	0	0	13	0	22
<b>At 31 March 2012</b>	<b>-1,616</b>	<b>-40,274</b>	<b>-16,568</b>	<b>-92,199</b>	<b>-3,926</b>	<b>-70</b>	<b>0</b>	<b>-154,653</b>

### Net Book Value

<b>at 31 March 2012</b>	<b>104,951</b>	<b>497,790</b>	<b>12,679</b>	<b>220,388</b>	<b>12,062</b>	<b>2,767</b>	<b>10,598</b>	<b>861,235</b>
<b>at 1 April 2011</b>	<b>103,064</b>	<b>533,584</b>	<b>15,063</b>	<b>217,953</b>	<b>12,451</b>	<b>2,729</b>	<b>1,696</b>	<b>886,540</b>

### Capital Commitments

As at 31 March 2013 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £21.799m. Similar commitments at 31 March 2012 were £2.222m. The major commitments are:

- Morriston Comprehensive Refurbishment £11.4m.
- Barrage lock gates £0.349m.
- Felindre Infrastructure £2.45m.
- Glyn Vivian Refurbishment £4.7m.
- Boulevard roadworks £2.9m.

### Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued 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 2012/13 were 30th June 2012, 30th September 2012, 31st December 2012 and 31st March 2013.

## NOTES TO THE ACCOUNTS

### 12. Heritage Assets

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

	Heritage Land, Buildings & Infrastructure	Art & Museums	Memorials	Civic Regalia	Furniture, Fixtures & Fittings	Transport	Archives	Other	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1st April 2011	225	18,742	135	479	3,179	415	0	36	23,211
Additions	2,014	0	0	0	0	0	0	0	2,014
<b>At 31st March 2012</b>	<b>2,239</b>	<b>18,742</b>	<b>135</b>	<b>479</b>	<b>3,179</b>	<b>415</b>	<b>0</b>	<b>36</b>	<b>25,225</b>
<b>Cost or Valuation</b>									
At 1st April 2012	2,239	18,742	135	479	3,179	415	0	36	25,225
Additions	228	323	0	0	0	0	500	0	1,051
Revaluations	0	-180	0	0	0	0	0	0	-180
<b>At 31st March 2013</b>	<b>2,467</b>	<b>18,885</b>	<b>135</b>	<b>479</b>	<b>3,179</b>	<b>415</b>	<b>500</b>	<b>36</b>	<b>26,096</b>

#### Heritage Assets included above :-

##### Heritage Land, Buildings and Infrastructure

Asset	Valuation method	Date	(C) / (V)
Oystermouth Castle	Capital program works	2005/2009/2013	(C)
Swiss Cottage in Singleton Park	Authority's internal RICS valuer	June 2011	(V)
Slip Bridge Deck on the promenade	Capital program works	2005/2009	(C)
Canteen Building at former Yorkshire Imperial	Authority's internal RICS valuer	March 2012	(V)
Mushgrove Engine House and adjacent chimney stack	Authority's internal RICS valuer	March 2012	(V)

##### Art & Museums

Asset	Valuation method	Date	(C) / (V)
Exhibitions within Swansea Museum	Bonhams	March 2013	(V)
Services	Gwenllian Ashley	June 2012	(V)
Brangwyn Hall Panels	Sotheby's	March 2012	(V)
Other Sculptures, Busts and Paintings	Bonhams	January 2012	(V)

## **NOTES TO THE ACCOUNTS**

### **Memorials**

<b>Asset</b>	<b>Valuation method</b>	<b>Date</b>	<b>(C) / (V)</b>
Cenotaph including surrounding walls	Capital program works	2005	(C)
Monument to the Air Defence of Swansea 1939-1945	Claims Connection	March 2012	(V)

### **Civic Regalia**

<b>Asset</b>	<b>Valuation method</b>	<b>Date</b>	<b>(C) / (V)</b>
Lord Mayors Chain	Sotheby's	March 2009	(V)
Lord Mayors - Other Civic Regalia	A G Grist	February 2012	(V)
	Sotheby's	March 2007	

### **Furniture, Fixtures & Fittings**

<b>Asset</b>	<b>Valuation method</b>	<b>Date</b>	<b>(C) / (V)</b>
Guildhall general building fixtures	A Grist	February 2012	(V)
Guildhall Lord Mayors & Committee Room Civic furniture	A Grist	February 2012	(V)
Guildhall Civic Lighting	Polesco	March 2012	(V)
Brangwyn Hall Organ	Clevedon Organs Ltd	March 2012	(V)

### **Transport**

<b>Asset</b>	<b>Valuation method</b>	<b>Date</b>	<b>(C) / (V)</b>
Olga - Sailing Barge	D Cox	March 2012	(V)
Helwick - Light Ship	Authority's internal museums valuer	March 2011	(V)
Canning - Tug Boat	Authority's internal museums valuer	March 2011	(V)

### **Archives**

<b>Asset</b>	<b>Valuation method</b>	<b>Date</b>	<b>(C) / (V)</b>
West Glamorgan Archives: Major	Bernard Quaritch Ltd	January 2013	(V)
West Glamorgan Archives: Owned collections	Authority's internal County Archivist	March 2013	(V)

### **Other**

<b>Asset</b>	<b>Valuation method</b>	<b>Date</b>	<b>(C) / (V)</b>
Silverware	Bonhams	January 2012	(V)
Clocks	Bonhams	January 2012	(V)
Glassware	Bonhams	January 2012	(V)

( C ) - Asset valued at Cost, (V) Expert valuation of asset for insurance purposes

## NOTES TO THE ACCOUNTS

	2012/13	2011/12
	£'000	£'000
<b>Additions of Heritage Assets 2012/13</b>		
Oystermouth Castle enhancement	228	2,014
West Glamorgan Archives: Major deposited collections	216	0
West Glamorgan Archives: Owned collections	284	0
Swansea Museum Costume Collection	23	0
Items situated at & insured by National Museum Wales, Cardiff	300	0
	1,051	2,014

<b>Disposal of Heritage Assets 2012/13</b>	<b>£'000</b>	<b>£'000</b>
No disposals in 2012/13	0	0

### 13. 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.

	2011/12	2012/13
	£'000	£'000
5,312 Rental income from investment property		5,700
Direct operating expenses arising from investment property		
-391	-391	-545
<b>4,921 Net gain</b>	<b>4,921</b>	<b>5,155</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:

	2011/12	2012/13
	£'000	£'000
<b>121,840 Balance at start of the year</b>		<b>115,580</b>
Additions:		
518 - Purchases		153
4,846 - Construction (Current)		799
0 - Construction (WIP - b/f)		407
-1,293 Disposals		-903
-14,300 Net gains/losses from fair value adjustments		455
Transfers:		
4,033 - to/from Property, Plant and Equipment		-2,343
-64 Other changes		54
<b>115,580 Balance at end of the year</b>	<b>115,580</b>	<b>114,202</b>

## NOTES TO THE ACCOUNTS

### 14. Intangible Assets

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

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

<u>Purchased Licences</u>		<u>Other IT software</u>	
Windows Licences	4 years	Payroll Development	5 years
Paris Software	5 years		
Oracle Licences	10 years		

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £750k charged to revenue in 2012/13 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2011/12 £'000	2012/13 £'000
<b>Balance at start of year:</b>	
4,614 - Gross carrying amounts	4,215
-1,325 - Accumulated amortisation	-2,070
3,289	2,145
Additions:	
25 - Purchases during year	215
Transfer to other Property, Plant and	
-424 Equipment	0
-760 Amortisation for the period	-750
15 Other changes	0
2,145	1,610
Comprising:	
4,215 - Gross carrying amounts	4,430
-2,070 - Accumulated amortisation	-2,820
2,145	1,610



# NOTES TO THE ACCOUNTS

## 15. Financial Instruments

The notes on financial instruments on the following pages are the requirement of the code. IFRS requires for the restatement of nominal amounts for loans and investments to include for example the spread cost of premium / discounts and using equivalent interest rates instead of actual stepped interest rates in the case of 'amortised cost' and also the restatement of the nominal values of the loans and investments if they were to be refinanced in the market at 31st March 2013 in the 'fair value' disclosure.

### TYPES OF FINANCIAL INSTRUMENTS

Accounting regulations require the "financial instruments" shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the Balance Sheet are made up of the following categories of "financial instruments":

**TABLE 1 – FINANCIAL INSTRUMENT BALANCES**

	Long-Term		Short-Term		Total	
	31st March 2013	31st March 2012	31st March 2013	31st March 2012	31st March 2013	31st March 2012
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Borrowings</b>						
Financial liabilities at amortised cost	320,101	325,888	11,688	31,310	331,789	357,198
<b>Total included in Borrowings</b>	<b>320,101</b>	<b>325,888</b>	<b>11,688</b>	<b>31,310</b>	<b>331,789</b>	<b>357,198</b>
<b>Creditors</b>						
Financial liabilities carried at contract amount	3,484	3,025	50,473	48,794	53,957	51,819
<b>Total included in Creditors</b>	<b>3,484</b>	<b>3,025</b>	<b>50,473</b>	<b>48,794</b>	<b>53,957</b>	<b>51,819</b>
<b>Investments</b>						
Loans and receivables	24	5,362	61,153	84,311	61,177	89,673
Fair value through Profit or Loss	0	0	22,571	22,331	22,571	22,331
Unquoted equity instrument where no reliable fair value can be determined therefore valued at cost	50	50	0	0	50	50
<b>Total Investments</b>	<b>74</b>	<b>5,412</b>	<b>83,724</b>	<b>106,642</b>	<b>83,798</b>	<b>112,054</b>
<b>Debtors</b>						
Financial assets carried at contract amount	906	685	54,051	49,313	54,957	49,998
<b>Total Debtors</b>	<b>906</b>	<b>685</b>	<b>54,051</b>	<b>49,313</b>	<b>54,957</b>	<b>49,998</b>

Note - Lender Option / Borrower Option Loans (LOBO's) of £58m (2011/12 £50m) have been included in long term borrowing but have an option date in the next 12 months.

## **NOTES TO THE ACCOUNTS**

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

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

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

### **GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**

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

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

<b>2012/13</b>	<b>Financial Liabilities</b>	<b>Financial Assets</b>		
	<b>Liabilities measured at amortised cost</b>	<b>Loans and receivables</b>	<b>Fair value through profit or loss</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest expense	18,151	0	0	18,151
Losses on Derecognition	0	0	-114	-114
Reductions in Fair Value	0	0	-22	-22
Fee Expense	0	0	-10	-10
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>18,151</b>	<b>0</b>	<b>-146</b>	<b>18,005</b>

## NOTES TO THE ACCOUNTS

2012/13	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Fair value through profit or loss £'000	Total £'000
Interest income	0	951	316	1,267
Gains on Derecognition	0	0	0	0
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>951</b>	<b>316</b>	<b>1,267</b>
<b>Net gain/(loss) for the year</b>	<b>18,151</b>	<b>951</b>	<b>170</b>	<b>19,272</b>

2011/12 Comparative Table	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Fair value through profit or loss £'000	Total £'000
Interest expense	18,486	0	0	18,486
Losses on Derecognition	0	0	-10	-10
Reductions in Fair Value	0	0	-17	-17
Fee Expense	0	0	-18	-18
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>18,486</b>	<b>0</b>	<b>-45</b>	<b>18,441</b>
Interest income	0	1,204	231	1,435
Gains on Derecognition	0	0	5	5
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>1,204</b>	<b>236</b>	<b>1,440</b>
<b>Net gain/(loss) for the year</b>	<b>18,486</b>	<b>1,204</b>	<b>191</b>	<b>19,881</b>

# NOTES TO THE ACCOUNTS

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

The fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is disclosed below.

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

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

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

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March 2013, using bid prices where applicable.

The calculations are made with the following assumptions:

- For Public Works Loan Board (PWLB) debt, the discount rate used is the rate for new borrowing as per rate sheet as at 31<sup>st</sup> March 2013.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

**TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST**

	31st March 2013		31st March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB - maturity	226,094	298,389	231,126	288,213
PWLB - annuity	4,477	5,152	5,667	6,759
PWLB - EIP	0	0	25	26
LOBOs	100,019	97,548	99,613	94,531
Temporary borrowings	1,197	1,197	20,767	20,767
Trade payables	53,957	53,957	51,819	51,819
<b>Financial liabilities</b>	<b>385,744</b>	<b>456,243</b>	<b>409,017</b>	<b>462,115</b>

## **NOTES TO THE ACCOUNTS**

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

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

	31st March 2013		31st March 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Cash	5,000	5,000	14,033	14,033
Deposits with banks and building societies	56,377	56,393	75,132	75,520
Trade receivables	54,957	54,957	49,998	49,998
<b>Financial assets</b>	<b>116,334</b>	<b>116,350</b>	<b>139,163</b>	<b>139,551</b>

The fair value is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Authority would receive if it agreed to early repayment of loans. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

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

The Authority's management of financial risks actively works to minimise the Authority's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Authority has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as:

- 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 usch measures as interest rates and stock market movements.

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

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Authority's customers. It is the policy of the Authority to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Authority's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Authority also has a policy of limiting deposits with single institutions to a maximum of £15m and a limit on the maximum size of one transaction in placing a deposit of £5m.

## NOTES TO THE ACCOUNTS

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

**TABLE 5 – CREDIT RISK (A)**

	<b>Amounts at 31 March 2013 £'000</b>	<b>Historical experience of default %</b>	<b>Historical experience adjusted for market conditions as at 31 March 2013 %</b>	<b>Estimated maximum exposure to default and uncollectability £'000</b>
Deposits with banks and other financial institutions	61,377	0.00	0.00	0
Loan to Gorseinon CDT	80	0.00	0.00	n/a
Bonds and other securities	22,420	0.00	0.00	0
Service Users	53,957	7.30	0.09	5,036
<b>Total</b>	<b>137,834</b>			<b>5,036</b>
	<b>2012 £'000</b>	<b>%</b>	<b>2012 %</b>	<b>£'000</b>
Deposits with banks and other financial institutions	89,887	0	0	0
Loan to Gorseinon CDT	80	0	0	n/a
Bonds and other securities	22,087	0	0	0
Service Users	49,998	8.8	7.3	3,649
<b>Total</b>	<b>162,052</b>			<b>3,649</b>

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

### **2. Liquidity Risk**

The Authority has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Authority will be unable to raise finance to meet its commitments under financial instruments. The Authority has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Authority's policy is to ensure an even maturity profile through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

## NOTES TO THE ACCOUNTS

The maturity structure of financial liabilities at nominal value is as follows (liability figure per Table 1 includes accrued interest on PWLB and LOBOs of £5,597k (prior year £5,667k):

**TABLE 6 – LIQUIDITY RISK**

On 31 March 2012	Loans outstanding	On 31 March 2013
£'000		£'000
232,764	Public Works Loans Board	226,587
98,000	Market debt / LOBOs	98,000
20,766	Temporary borrowing	1,196
1	Other	1
51,819	Trade Payables	53,957
<b>403,350</b>	<b>Total</b>	<b>379,741</b>
<hr/>		
On 31 March 2012	Loans outstanding	On 31 March 2013
£'000		£'000
75,646	Less than 1 year	60,847
9,398	Between 1 and 2 years	7,913
10,799	Between 2 and 5 years	12,477
9,006	Between 5 and 10 years	4
298,501	More than 10 years	298,500
<b>403,350</b>	<b>Total</b>	<b>379,741</b>

In the more than 10 years category there are £58m (31 March 2012 £50m) of LOBOs which have a call date in the next 12 months.

### **3. Market Risk**

Interest rate risk -

The Authority is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.

It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE ACCOUNTS

- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

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

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

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher than market rate with all other variables held constant, the financial effect would be:

<b>TABLE 7 – INTEREST RATE RISK</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>
Increase in interest payable on variable rate borrowings	400	580
Increase in interest receivable on variable rate investments	0	0
Increase in government grant receivable for financing costs	0	0
<b>Impact on Income and Expenditure Account</b>		<b>580</b>
<b>Share of overall impact debited to the Housing Revenue Account</b>	<b>77</b>	<b>109</b>
Decrease in fair value of 'available for sale' investment assets	0	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income & Expenditure Statement)	54,659	58,175
Decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income & Expenditure Statement)	188	81

### 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.



## NOTES TO THE ACCOUNTS

### Financial Instruments Adjustment Account

31/03/2012	31/03/2013
£'000	£'000
<b>-1,053 Balance brought forward</b>	<b>-1,191</b>
164 PWLB Premia amortisation	164
-305 PWLB Discounts amortisation	-297
9 LOBO equivalent interest rate amortisation	9
-6 Notional advances right to buy sales	-6
<b><u>-1,191 Published Balance as at 31st March</u></b>	<b><u>-1,321</u></b>

### Analysis of Borrowing

31/03/2012 Sources of borrowing	31/03/2013
£'000	£'000
226,588 Public Works Loan Board	220,304
99,210 Money market	99,207
90 Local Bonds and Internal Mortgages	590
<b><u>325,888 Total borrowing greater than one year</u></b>	<b><u>320,101</u></b>
1 Stock issues	1
10,230 Public Works Loans Board	10,267
404 Money market	406
4 Local bonds & internal mortgages	4
20,671 Temporary loans	1,010
<b><u>31,310 Total borrowing less than one year</u></b>	<b><u>11,688</u></b>
<b><u>357,198</u></b>	<b><u>331,789</u></b>

### Maturity dates for the repayment of loans

31/03/2012	31/03/2013
£'000	£'000
20,672 Temporary loans up to 1 year	1,010
Long term debt maturing within:-	
10,639 1 year	10,272
6,373 1 - 2 years	7,913
10,799 2 – 5 years	12,477
9,006 5 -10 years	4
299,709 Over 10 years	300,113
<b><u>357,198</u></b>	<b><u>331,789</u></b>

## NOTES TO THE ACCOUNTS

### 16. Short Term Debtors

31st March 2012	31st March 2013
£'000	£'000
24,846 Central government bodies	32,566
1,605 Other local authorities	1,274
2,249 NHS bodies	2,154
101 Public corporations and trading funds	4
23,451 Other entities and individuals	19,817
1,229 Payments In Advance	1,479
<b>53,481 Total</b>	<b>57,294</b>

### 17. Cash and Cash Equivalents

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

31st March 2012	31st March 2013
£'000	£'000
312 Cash held by the Authority	152
29,868 Bank current accounts	27,261
<b>30,180 Total Cash and Cash Equivalents</b>	<b>27,413</b>

### 18. Assets Held for Sale

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

2011/12	2012/13
£'000	£'000
<b>1,387 Balance outstanding at start of year</b>	<b>2,487</b>
Assets newly classified as held for sale:	
20 - Property, Plant and Equipment	0
828 Revaluation gains/losses	-154
Assets classified as held for sale:	
1,779 - Property, Plant and Equipment	735
-1,527 Assets sold	-1,799
<b>2,487 Balance outstanding at year end</b>	<b>1,269</b>

### 19. Creditors

31st March 2012	31st March 2013
£'000	£'000
6,448 Central government bodies	5,867
4,835 Other local authorities	5,681
884 NHS bodies	549
69 Public corporations and trading funds	592
36,558 Other entities and individuals	37,784
5,123 Receipts In Advance	5,487
<b>53,917 Total</b>	<b>55,960</b>

## NOTES TO THE ACCOUNTS

### 20. Provisions

#### 2012/13

#### Short - term and 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 2012</b>	<b>359</b>	<b>7,296</b>	<b>27,807</b>	<b>5,941</b>	<b>41,403</b>
Additional provisions made in 2012/13	0	6,088	4,233	8,990	<b>19,311</b>
Amounts used in 2012/13	-102	-5,390	0	-1,082	<b>-6,574</b>
Unused amounts reversed in 2012/13	-38	0		-1,646	<b>-1,684</b>
<b>Balance at 31 March 2013</b>	<b>219</b>	<b>7,994</b>	<b>32,040</b>	<b>12,203</b>	<b>52,456</b>

#### 2011/12

#### Short - term and 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 2011</b>	<b>271</b>	<b>8,554</b>	<b>18,048</b>	<b>3,519</b>	<b>30,392</b>
Additional provisions made in 2011/12	321	2,902	9,759	5,111	<b>18,093</b>
Amounts used in 2011/12	-233	-4,160	0	-2,530	<b>-6,923</b>
Unused amounts reversed in 2011/12	0	0	0	-159	<b>-159</b>
<b>Balance at 31 March 2012</b>	<b>359</b>	<b>7,296</b>	<b>27,807</b>	<b>5,941</b>	<b>41,403</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 unrecoverable 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 pending 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.

### Other Provisions

These amounts are to cover a variety of potential liabilities including land compensation claims following compulsory purchase, potential sums arising out of grant reclaims and obsolete stock. Other provisions include a significant capital provision (£7.7m) for the future remediation and maintenance of major land refuse disposal sites.

### 21. Unusable Reserves

<b>31st March 2012 £'000</b>	<b>31st March 2013 £'000</b>
114,960 Revaluation Reserve	167,061
520,057 Capital Adjustment Account	512,649
-1,191 Financial Instruments Adjustment Account	-1,321
-565,480 Pensions Reserve	-625,600
-8,589 Accumulated Absences Account	-7,687
<b><u>59,757</u> Total Unusable Reserves</b>	<b><u>45,102</u></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

2011/12	2012/13
£'000	£'000
<b>109,991</b> Balance at 1st April	<b>114,960</b>
Upward revaluation of assets -	
17,288 Cost	46,089
7,803 Depreciation	15,471
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services -	
-15,082 Cost	-3,948
936 Depreciation	1,362
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	58,974
Difference between fair value depreciation and historical cost depreciation	-6,013
-662 Accumulated gains on assets sold or scrapped	-769
0 Transfer of Investment Property Revaluation Reserve	-91
-5,976 Amount written off to the Capital Adjustment Account	-6,873
<b>114,960</b> Balance at 31st March	<b>167,061</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

## **NOTES TO THE ACCOUNTS**

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
<b>547,205</b>	<b>Balance at 1st April</b>	<b>520,057</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-58,366	Charges for depreciation and impairment of non-current assets	-70,008
-18,923	Revaluation losses on Property, Plant and Equipment	-3,704
-760	Amortisation of intangible assets	-750
-8,688	Revenue expenditure funded from capital under statute	-9,234
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
<u>-2,776</u>		<u>-2,703</u>
-89,513		-86,399
<u>5,976</u>	Adjusting amounts written out of the Revaluation Reserve	<u>6,873</u>
-83,537	Net written out amount of the cost of non-current assets consumed in the year	-79,526
	Capital financing applied in the year:	
6,688	Use of the Capital Receipts Reserve to finance new capital expenditure	5,678
36,082	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	32,033
15,133	Statutory provision for the financing of the capital investment charged against the General Fund and HRA balances	14,735
12,786	Capital expenditure charged against the HRA and General Fund balances	19,217
<u>70,689</u>		<u>71,663</u>

## NOTES TO THE ACCOUNTS

2011/12 £'000	2012/13 £'000
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	455
<b>520,057</b>	<b>512,649</b>

**Balance at 31st March**

### Financial Instruments Adjustment Account

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

2011/12 £'000	2012/13 £'000
<b>-1,053</b>	<b>-1,191</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	
-141	-133
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	
3	3
<b>-1,191</b>	<b>-1,321</b>

**Balance at 31st March**

## **NOTES TO THE ACCOUNTS**

### **Pensions Reserve**

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

<b>2011/12</b>	<b>2012/13</b>
<b>£'000</b>	<b>£'000</b>
<b>-422,089 Balance at 1st April</b>	<b>-565,480</b>
-137,450 Actuarial gains or losses on pension assets and liabilities	-50,800
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	-43,110
-36,780	
-3,860 Past service cost adjustment	-900
Employer's pensions contributions and direct payments to pensioners payable in the year	34,690
<u>34,699</u>	<u>34,690</u>
<b><u>-565,480</u> Balance at 31st March</b>	<b><u>-625,600</u></b>



## NOTES TO THE ACCOUNTS

### Accumulated Absences Account

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

2011/12	2012/13
£'000	£'000
<b>-8,418 Balance at 1st April</b>	<b>-8,589</b>
Settlement or cancellation of accrual made	
8,418 at the end of the preceding year	8,589
Amounts accrued at the end of the current	
-8,589 year	-7,687
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	
-171	902
<b><u>-8,589</u> Balance at 31st March</b>	<b><u>-7,687</u></b>

### 22. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2011/12	2012/13
£'000	£'000
1,511 Interest received	1,452
-18,673 Interest paid	-18,341
<b><u>-17,162</u></b>	<b><u>-16,889</u></b>

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

2011/12	2012/13
£'000	£'000
58,366 Depreciation	70,008
33,223 Impairment and downward revaluations	3,249
760 Amortisation	750
1,665 Increase/(decrease) in impairment for bad debts	
-592 Increase/decrease in creditors	668
-3,692 Increase/decrease in debtors	-4,549
-30 Increase/decrease in inventories	-273
5,941 Movement in pension liability	9,320

## NOTES TO THE ACCOUNTS

2011/12		2012/13
£'000		£'000
	Carrying amount of non-current assets and non-current	
	0 assets held for sale, sold or de-recognised	-2,703
	Other non-cash items charged to the net surplus or deficit on	
8,685	the provision of services	11,932
<b>104,326</b>		<b>88,402</b>

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

2011/12		2012/13
£'000		£'000
	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes	
	0 investments in associates, joint ventures and subsidiaries)	0
	Proceeds from the sale of property, plant and equipment,	
	0 investment property and intangible assets	0
	Any other items for which the cash effects are investing or	
-42,212	financing cash flows	-37,242
<b>-42,212</b>		<b>-37,242</b>

### 23. Cash Flow Statement - Investing Activities

2011/12		2012/13
£'000		£'000
-54,214	Purchase of property, plant and equipment, investment property and intangible assets	-66,021
-636,949	Purchase of long and short term investments	-874,516
	3,300 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,450
	630,850 Proceeds from short-term and long-term investments	888,389
36,859	Other receipts from investing activities	37,759
<b>-20,154</b>	<b>Net cash flows from investing activities</b>	<b>-10,939</b>

### 24. Cash Flow Statement - Financing Activities

2011/12		2012/13
£'000		£'000
22,189	Cash receipts of short and long-term borrowing	3,541
-8,741	Repayments of short and long-term borrowing	-28,950
<b>13,448</b>	<b>Net cash flows from financing activities</b>	<b>-25,409</b>

# NOTES TO THE ACCOUNTS

## 25. Amounts Reported For Resource Allocation Decisions

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

In particular:

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

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

	Chief Executive £'000	Executive Director £'000	Director of Education £'000	Director of Environment £'000	Director of Regeneration & Housing £'000	Director of Social Services £'000	Total £'000
<b>Directorate Income and Expenditure</b>							
<b>2012/13</b>							
Employee expenses	1,708	43,479	155,904	23,794	34,347	48,752	307,984
Premises	106	8,002	9,423	8,942	16,074	1,621	44,168
Transport	25	1,693	8,738	13,292	1,610	2,091	27,449
Supplies & Services	1,767	115,577	31,915	24,518	11,397	26,512	211,686
Other Costs	-1,658	15,491	12,015	76	7,128	73,404	106,456
<b>Total Expenditure</b>	<b>1,948</b>	<b>184,242</b>	<b>217,995</b>	<b>70,622</b>	<b>70,556</b>	<b>152,380</b>	<b>697,743</b>
Fees, charges & other service income	-106	-40,630	-20,077	-26,511	-62,689	-23,495	-173,508
Government grants	-30	-110,454	-40,550	-15,399	-5,736	-23,826	-195,995
<b>Total Income</b>	<b>-136</b>	<b>-151,084</b>	<b>-60,627</b>	<b>-41,910</b>	<b>-68,425</b>	<b>-47,321</b>	<b>-369,503</b>
<b>Net Expenditure</b>	<b>1,812</b>	<b>33,158</b>	<b>157,368</b>	<b>28,712</b>	<b>2,131</b>	<b>105,059</b>	<b>328,240</b>

## NOTES TO THE ACCOUNTS

	Chief Executive £'000	Executive Director £'000	Director of Education £'000	Director of Environment £'000	Director of Regeneration & Housing £'000	Director of Social Services £'000	Total £'000
<b>Directorate Income and Expenditure</b>							
<b>2011/12 Comparative Figures</b>							
Employee expenses	1,534	42,886	148,914	23,973	34,166	48,352	299,825
Premises	94	7,296	8,191	9,475	17,539	1,404	43,999
Transport	26	1,588	8,496	13,509	1,622	2,419	27,660
Supplies & Services	1,560	106,677	32,104	20,706	11,327	23,822	196,196
Other Costs	-1,557	18,377	16,678	-159	7,358	67,461	108,158
<b>Total Expenditure</b>	<b>1,657</b>	<b>176,824</b>	<b>214,383</b>	<b>67,504</b>	<b>72,012</b>	<b>143,458</b>	<b>675,838</b>
Fees, charges & other service income	-102	-34,913	-19,075	-24,892	-60,760	-21,511	-161,253
Government grants	-29	-107,081	-41,424	-15,722	-5,057	-22,098	-191,411
<b>Total Income</b>	<b>-131</b>	<b>-141,994</b>	<b>-60,499</b>	<b>-40,614</b>	<b>-65,817</b>	<b>-43,609</b>	<b>-352,664</b>
<b>Net Expenditure</b>	<b>1,526</b>	<b>34,830</b>	<b>153,884</b>	<b>26,890</b>	<b>6,195</b>	<b>99,849</b>	<b>323,174</b>

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

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

	2011/12 £'000	2012/13 £'000
Net expenditure in the Directorate Analysis	323,174	328,240
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	108,844	99,868
	<u>432,018</u>	<u>428,108</u>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-26,846	-29,030
<b>Cost of Services in Comprehensive Income and Expenditure</b>	<b><u>405,172</u></b>	<b><u>399,078</u></b>

## NOTES TO THE ACCOUNTS

### Reconciliation to Subjective Analysis

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

	Directorate Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I & E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>2012/13</b>						
Fees, charges & other service income	-173,508	26,593	0	-146,915	-50,181	-197,096
Interest and investment income	0	0	0	0	-1,095	-1,095
Income from council tax	0	0	0	0	-103,105	-103,105
Government grants and contributions	-195,995	0	0	-195,995	-330,198	-526,193
<b>Total Income</b>	<b>-369,503</b>	<b>26,593</b>	<b>0</b>	<b>-342,910</b>	<b>-484,579</b>	<b>-827,489</b>
Employee expenses	307,984	23,948	-29,030	302,902	0	302,902
Premises	44,168	0	0	44,168	-102	44,066
Transport	27,449	0	0	27,449	0	27,449
Supplies & Services	211,686	12	0	211,698	496	212,194
Other Costs	106,456	-25,148	0	81,308	57,980	139,288
Depreciation, amortisation and impairment	0	74,463	0	74,463	0	74,463
Interest Payments	0	0	0	0	18,274	18,274
Precepts & Levies	0	0	0	0	27,179	27,179
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	-747	-747
<b>Total Expenditure</b>	<b>697,743</b>	<b>73,275</b>	<b>-29,030</b>	<b>741,988</b>	<b>103,080</b>	<b>845,068</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>328,240</b>	<b>99,868</b>	<b>-29,030</b>	<b>399,078</b>	<b>-381,499</b>	<b>17,579</b>

## NOTES TO THE ACCOUNTS

	Directorate Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I & E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>2011/12 Comparative Figures</b>						
Fees, charges & other service income	-161,253	15,953	0	-145,300	-46,380	-191,680
Interest and investment income	0	0	0	0	-1,332	-1,332
Income from council tax	0	0	0	0	-101,600	-101,600
Government grants and contributions	-191,411	0	0	-191,411	-334,694	-526,105
<b>Total Income</b>	<b>-352,664</b>	<b>15,953</b>	<b>0</b>	<b>-336,711</b>	<b>-484,006</b>	<b>-820,717</b>
Employee expenses	299,825	32,070	-26,846	305,049	0	305,049
Premises	43,999	14,571	0	58,570	0	58,570
Transport	27,660	0	0	27,660	0	27,660
Supplies & Services	196,196	509	0	196,705	0	196,705
Other Costs	108,167	-22,549	0	85,618	57,010	142,628
Depreciation, amortisation and impairment	0	78,049	0	78,049	0	78,049
Interest Payments	0	0	0	0	18,582	18,582
Precepts & Levies	0	0	0	0	26,134	26,134
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	-440	-440
<b>Total Expenditure</b>	<b>675,847</b>	<b>102,650</b>	<b>-26,846</b>	<b>751,651</b>	<b>101,286</b>	<b>852,937</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>323,183</b>	<b>118,603</b>	<b>-26,846</b>	<b>414,940</b>	<b>-382,720</b>	<b>32,220</b>

## **NOTES TO THE ACCOUNTS**

### **26. 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.

#### **2012/13**

	<b>Turnover</b>	<b>Expenditure</b>	<b>Surplus/(Deficit)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Car Parks	3,779	3,169	610
Grand Theatre	3,323	5,056	-1,733
Indoor Market	1,126	701	425
Catering	5,568	5,315	253
Trade Waste	2,343	1,555	788
Swansea Marina	1,046	1,198	-152
	<u>17,185</u>	<u>16,994</u>	<u>191</u>

#### **2011/12**

	<b>Turnover</b>	<b>Expenditure</b>	<b>Surplus/(Deficit)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Car Parks	3,849	2,362	1,487
Grand Theatre	3,153	4,746	-1,593
Indoor Market	1,064	710	354
Catering	5,625	5,332	293
Trade Waste	2,264	1,582	682
Swansea Marina	1,015	1,227	-212
	<u>16,970</u>	<u>15,959</u>	<u>1,011</u>

The Authority provides and operates over fifty car parks. These include both multi-storey and surface car parks, mainly in the city centre and on the coast, and some serve specific destinations. The customers are mainly individual shoppers, workers, visitors, and leisure venue users. Prices are set at commercial market rates and the service in 2012/13 generated a significant surplus which will help to fund other council services.

The Authority provides and operates the Grand Theatre in the city centre. It forms a central part of the City's cultural service, and stages a wide variety of performances throughout the year, both for local and regional residents and visitors. The Theatre's customers are mainly individual theatre goers although the venue is also hired out to groups. Ticket prices are set at market rates in conjunction with the companies providing shows, although this requires a significant subsidy from the Authority.

## **NOTES TO THE ACCOUNTS**

The Authority provides Swansea Indoor Market, and manages and lets the stalls which currently number about one hundred. The stalls can be let on both a permanent long term and casual basis. Rents are set at commercial market rates, and as well as providing a unique and historic shopping facility, the market generates a significant surplus which helps to fund other council services.

The Catering Service is responsible for the provision of school meals in all schools within the City and County of Swansea, except two secondaries who have arranged their own caterers. The service also provides some in-house catering facilities at some Council facilities but this activity is incidental to the overall operation. The service is fully traded and expected to break even or achieve a modest surplus for future development and investment. The operation delivers the Authority's statutory duty to make a school meal provision at each school.

The Authority operates a waste and recycling collection service to about two thousand businesses throughout the area. It also collects and disposes of refuse from the Authority's own buildings and services. Prices are set at commercial rates and the operation generates a significant surplus which helps to fund the Authority's other waste services.

The Authority provides and operates the Swansea Marina which forms a central part of the City's redeveloped and award winning Maritime Quarter. It has over five hundred berths available for both short and long term hire, and provides a full marina service. Prices are set at commercial market rates with the aim of covering the direct costs of operating the service.

### **27. Pooled Budgets**

#### **Community Equipment**

The Authority has entered into a pooled budget arrangement with Abertawe Bro Morgannwg University Health Board and Neath & Port Talbot County Borough Council for the provision of community equipment.

This agreement commenced on the 1st April 2012. The previous agreement between the City and County of Swansea and Abertawe Bro Morgannwg Health Board only in relation to beds and mattresses ceased on the 31st March 2012.

The partners contribute to the estimated costs of the new pooled service provision in 2012-13 as follows: Abertawe Bro Morgannwg Health Board £864,500, City and County of Swansea £518,700 and Neath Port Talbot County Borough Council £345,800.



## NOTES TO THE ACCOUNTS

Swansea as host partner shall retain operational responsibility for any costs, expenses or liabilities in excess of the pooled fund. Where costs, expenses or liabilities have been incurred with the express agreement of the partners in accordance with the agreement then the partners shall be jointly responsible in accordance with their contribution proportions. Any surplus arising shall be re-invested in the service in accordance with the agreement.

The pooled fund is hosted by the Authority on behalf of the partners.

### Two Partner Pooled Fund (Beds & Mattresses) - ceased 31st March 2012:

2011/12			2012/13	
£'000	£'000		£'000	£'000
		Funding provided to the pooled budget		
46		The Authority	0	
116		The Health Board	0	
116	162		0	
		Net Expenditure met from the pooled budget		
32		The Authority	0	
130		The Health Board	0	
130	162		0	
	0	Net Surplus / Deficit	0	0
	0		0	0

### Three Partner Pooled Fund (Community Equipment) - commenced 1st April 2012:

2011/12			2012/13	
£'000	£'000		£'000	£'000
		Funding provided to the pooled budget		
0		The Authority	519	
0		Neath & Port Talbot CBC	346	
0		The Health Board	865	
0	0		865	1,730
		0 Net Expenditure met from the pooled budget		1,803
	0	Net Surplus / Deficit	-73	-73
	0		-73	-73

## NOTES TO THE ACCOUNTS

### CREATE

The Authority has entered into a pooled budget arrangement with Abertawe Bro Morgannwg University Health Board for the provision of services that supports adults with serious and enduring mental health problems in the City and County of Swansea via a range of supported employment projects.

The partners contribute to the estimated costs of the service provision in accordance with historic contributions uplifted as appropriate for inflation, etc. Any surplus arising is retained and ringfenced for re-investment into the service.

There is no split of expenditure met from the pool between the partners.

2011/12			2012/13	
£'000	£'000		£'000	£'000
		Funding provided to the pooled budget		
183		The Authority	187	
131		The Health Board	140	
314			327	
	316	Net Expenditure met from the pooled budget		321
	<u>-2</u>	Net Surplus / Deficit		<u>6</u>

### **28. Members' Allowances**

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

2011/12		2012/13
£'000		£'000
1,278	Allowances	1,325
17	Expenses	13
1,295	<b>Total</b>	1,338

## **NOTES TO THE ACCOUNTS**

### **29. Officers' Remuneration**

(a) 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:

<b>2011/12</b>	<b>Remuneration Band</b>	<b>2012/13</b>
Number of employees		Number of employees
24	£60,000 - £64,999	25
16	£65,000 - £69,999	10
8	£70,000 - £74,999	6
3	£75,000 - £79,999	5
4	£80,000 - £84,999	3
2	£85,000 - £89,999	3
1	£90,000 - £94,999	1
1	£95,000 - £99,999	0
0	£100,000 - £104,999	1
1	£105,000 - £109,999	1
<u>60</u>	<u>Total</u>	<u>55</u>

The numbers shown relate to Authority employees which include teaching staff. Seniors Officers' remunerations are shown in the tables on the following pages.

(b) Payments made to the Chief Executive (J.Straw) is comprised of the following components:

	<b>2012/13</b>	<b>2011/12</b>
	<b>(£)</b>	<b>(£)</b>
Salary	140,000	140,000
Expense Allowances	0	0
Total remuneration excluding pension contributions	<u>140,000</u>	<u>140,000</u>
Employers pension contributions	30,940	28,700
Total remuneration including pension contributions	<u><b>170,940</b></u>	<u><b>168,700</b></u>

## NOTES TO THE ACCOUNTS

(c) 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 - 2012/13**

	Remuneration (including Fees & Allowances)	* Expense Allowances	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions (22.1%)	Total remuneration including pension contributions
	£	£	£	£	£	£
Corporate Director (Regeneration & Housing)	110,000	0		<b>110,000</b>	24,310	<b>134,310</b>
Corporate Director (Environment)	110,000	159	0	<b>110,159</b>	24,310	<b>134,469</b>
Corporate Director (Education) **	82,359	122	480	<b>82,961</b>	18,201	<b>101,162</b>
Interim Corporate Director (Education) ***	23,508	0	0	<b>23,508</b>	5,195	<b>28,703</b>
Corporate Director (Social Services)	110,000	0	0	<b>110,000</b>	0	<b>110,000</b>
Head of Legal, Democratic Services and Procurement	72,936	0	0	<b>72,936</b>	16,023	<b>88,959</b>
Head of Culture and Tourism	80,000	159	0	<b>80,159</b>	17,680	<b>97,839</b>
Head of Finance	92,983	159	0	<b>93,142</b>	20,483	<b>113,625</b>
Head of Corporate Building and Property Services	80,489	159	0	<b>80,648</b>	17,680	<b>98,328</b>
Head of Education Effectiveness****	60,000	0	0	<b>60,000</b>	13,260	<b>73,260</b>
Head of Education Inclusion	80,000	159	0	<b>80,159</b>	17,680	<b>97,839</b>
Head of Performance and Strategic Projects	79,256	159	0	<b>79,415</b>	17,516	<b>96,931</b>
Head of Child and Family Services	65,060	0	0	<b>65,060</b>	14,365	<b>79,425</b>
Head of Education Planning and Resources	70,000	159	0	<b>70,159</b>	15,470	<b>85,629</b>
<b>Balance c/f</b>	<b>1,116,591</b>	<b>1,235</b>	<b>480</b>	<b>1,118,306</b>	<b>222,173</b>	<b>1,340,479</b>

## NOTES TO THE ACCOUNTS

Table 1 - 2012/13 continued

Post title	Remuneration (including Fees * Expense & Allowances)	* Expense Allowances	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions (22.1%)	Total remuneration including pension contributions
	£	£	£	£	£	£
<b>Balance b/f</b>	<b>1,116,591</b>	<b>1,235</b>	<b>480</b>	<b>1,118,306</b>	<b>222,173</b>	<b>1,340,479</b>
Head of Street Scene	75,000	0	0	<b>75,000</b>	16,575	<b>91,575</b>
Head of Public Protection	80,000	159	0	<b>80,159</b>	17,680	<b>97,839</b>
Head of Transportation	70,000	0	0	<b>70,000</b>	15,470	<b>85,470</b>
Head of Housing and Community Regeneration	77,500	159	0	<b>77,659</b>	17,127	<b>94,786</b>
Head of Adult Services	79,375	0	0	<b>79,375</b>	17,542	<b>96,917</b>
Head of Economic Regeneration and Planning	75,000	159	0	<b>75,159</b>	16,575	<b>91,734</b>
Head of Communications, Marketing, Overview and Scrutiny	60,000	159	0	<b>60,159</b>	13,260	<b>73,419</b>
Head of Human Resources & Organisational Development	57,634	0	0	<b>57,634</b>	12,708	<b>70,342</b>
<b>Total</b>	<b>1,691,100</b>	<b>1,871</b>	<b>480</b>	<b>1,693,451</b>	<b>349,110</b>	<b>2,042,561</b>

\* The expense allowance represents an allowance for telephone costs.

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

\*\* The Corporate Director (Education) retired in January 2013.

\*\*\* The Interim Corporate Director (Education) commenced in January 2013.

\*\*\*\* The Head of Education Effectiveness is the Interim Corporate Director (Education) since January 2013. The Head of Education Effectiveness post has been vacant since January 2013.

## 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 2 - 2011/12**

Post title	Remuneration (including Fees & Allowances) £	* Expense Allowances £	Compensation for loss of office £	Total remuneration excluding pension contributions £	Pension contributions (20.5%) £	Total remuneration including pension contributions £
Corporate Director (Regeneration & Housing)	110,000	0	0	<b>110,000</b>	22,550	<b>132,550</b>
Corporate Director (Environment)	110,161	159	0	<b>110,320</b>	22,550	<b>132,870</b>
Corporate Director (Education)	105,000	159	0	<b>105,159</b>	21,525	<b>126,684</b>
Corporate Director (Social Services) **	67,329	0	379	<b>67,708</b>	13,016	<b>80,724</b>
Corporate Director (Social Services)	48,199	0	0	<b>48,199</b>	0	<b>48,199</b>
Interim Head of Legal *****	30,208	0	0	<b>30,208</b>	6,193	<b>36,401</b>
Head of Legal, Democratic Services and Procurement ****	47,020	0	0	<b>47,020</b>	9,560	<b>56,580</b>
Head of Culture and Tourism	80,000	159	0	<b>80,159</b>	16,400	<b>96,559</b>
Head of Finance	85,285	159	0	<b>85,444</b>	17,425	<b>102,869</b>
Head of Corporate Building and Property Services	80,476	159	0	<b>80,635</b>	16,400	<b>97,035</b>
Head of Education Effectiveness	78,114	0	0	<b>78,114</b>	16,013	<b>94,127</b>
Head of Education Inclusion	78,114	159	0	<b>78,273</b>	16,013	<b>94,286</b>
Head of Information, Customer Services and ISIS Development	72,033	159	0	<b>72,192</b>	14,767	<b>86,959</b>
Head of Performance and Strategic Projects	71,073	159	0	<b>71,232</b>	14,570	<b>85,802</b>
Head of Child and Family Services ***	50,000	0	0	<b>50,000</b>	10,250	<b>60,250</b>
Head of Child and Family Services *****	21,667	0	0	<b>21,667</b>	4,442	<b>26,109</b>
Head of Education Planning and Resources	71,184	159	0	<b>71,343</b>	14,476	<b>85,819</b>
<b>Balance c/f</b>	<b>1,205,863</b>	<b>1,431</b>	<b>379</b>	<b>1,207,673</b>	<b>236,150</b>	<b>1,443,823</b>

## NOTES TO THE ACCOUNTS

**Table 1 - 2011/12 continued**

Post title	Remuneration (including Fees * Expense & Allowances)	* Expense Allowances	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions (20.5%)	Total remuneration including pension contributions
	£	£	£	£	£	£
<b>Balance b/f</b>	<b>1,205,863</b>	<b>1,431</b>	<b>379</b>	<b>1,207,673</b>	<b>236,150</b>	<b>1,443,823</b>
Head of Street Scene	72,500	0	0	<b>72,500</b>	14,862	<b>87,362</b>
Head of Public Protection	77,976	159	0	<b>78,135</b>	15,888	<b>94,023</b>
Head of Transportation	70,000	0	0	<b>70,000</b>	14,350	<b>84,350</b>
Head of Housing and Community Regeneration	75,000	159	0	<b>75,159</b>	15,375	<b>90,534</b>
Head of Adult Services	70,000	0	0	<b>70,000</b>	14,350	<b>84,350</b>
Head of Economic Regeneration and Planning	72,500	159	0	<b>72,659</b>	14,862	<b>87,521</b>
Head of Communications, Marketing, Overview and Scrutiny	60,000	159	0	<b>60,159</b>	12,300	<b>72,459</b>
Interim Head of Human Resources & Organisational Development *****	27,500	0	0	<b>27,500</b>	5,637	<b>33,137</b>
<b>Total</b>	<b>1,731,339</b>	<b>2,067</b>	<b>379</b>	<b>1,733,785</b>	<b>343,774</b>	<b>2,077,559</b>

\* The expense allowance represents an allowance for telephone costs.

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

\*\* The Corporate Director of Social Services left on 13th November 2011.

\*\*\* The Head of Child and Family Services left on 30th November 2011.

\*\*\*\* The Head of Legal, Democratic Services and Procurement commenced on 2nd August 2011.

\*\*\*\*\* The Interim Head of Legal reverted to substantive post on 1st August 2011.

\*\*\*\*\* The Head of Child and Family Services commenced on 1st December 2011.

\*\*\*\*\* The Interim Head of Human Resources & Organisational Development commenced on 1st October 2011.

## NOTES TO THE ACCOUNTS

(d) 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:

### 2011/12

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	52	51	103		716
£20,001 - £40,000	3	31	34		980
£40,001 - £60,000	0	12	12		574
£60,001 - £80,000	0	7	7		488
£80,001 - £100,000	0	0	0		0
£100,000 - £150,000	0	1	1		112
<b>Total</b>	<b>55</b>	<b>102</b>	<b>157</b>		<b>2,870</b>

### 2012/13

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	6	50	56		539
£20,001 - £40,000	7	19	26		753
£40,001 - £60,000	2	3	5		223
£60,001 - £80,000	0	5	5		338
£80,001 - £100,000	0	2	2		164
£100,000 - £150,000	0	2	2		274
<b>Total</b>	<b>15</b>	<b>81</b>	<b>96</b>		<b>2,291</b>



## **NOTES TO THE ACCOUNTS**

### **30. External Audit Costs**

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

<b>2011/12</b>	<b>2012/13</b>
<b>£'000</b>	<b>£'000</b>
311 Fees payable to auditors appointed by the Auditor General for Wales with regard to external audit services carried out by the appointed auditor	250
171 Fees payable to auditors appointed by the Auditor General for Wales in respect of statutory inspection	152
137 Fees payable to auditors appointed by the Auditor General for Wales for the certification of grant claims and returns by the appointed auditor	141
0 Fees payable in respect of any other services provided by the appointed auditor	7

### **31. Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12 and 2012/13:

<b>2011/12</b>	<b>2012/13</b>
<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>	
101,600 Council Tax Income	103,105
55,556 Non Domestic Rates	64,518
242,743 Revenue Support Grant	235,656
6,656 School Building Improvement Grant	6,807
782 Regional Transport Programme Grant	3,510
9,100 Housing MRA Grant	9,100
6,777 WEFO Convergence Grant	2,151
6,209 Strategic Regeneration Area Grant	2,479
2,500 Lottery	558
0 CESP Energy Efficiency	1,737
4,371 Other Grants and Contributions	3,682
<b>436,294</b>	<b>433,303</b>

## NOTES TO THE ACCOUNTS

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
	<b>Credited to Services</b>	
1,834	School Effectiveness Grant	1,799
1,750	Mental handicapped strategy	1,766
49,234	Rent allowance subsidy	51,591
33,342	Rent rebate subsidy	34,701
19,139	Council tax benefit	19,137
1,548	Cymorth - Social Services	727
2,425	Future Jobs Fund DWP	0
3,170	Families First - Education	3,343
1,111	Learning Pathways	956
12,120	Supporting people	13,916
7,588	Department for Children, Education, Lifelong Learning and Skills	7,517
2,327	Outcome agreement grant	2,330
4,214	COASTAL	5,424
5,126	Sustainable Waste Management	5,083
2,122	Housing Benefit Administration	2,171
5,796	Concessionary fares	5,835
5,994	Training and Enterprise Council Contract	4,712
1,478	Ethnic Minority Achievement Grant	1,522
1,946	Substance Misuse Action Team	1,702
6,501	Foundation Phase	6,979
3,121	Flying Start	3,532
1,000	SWAMWAC Consortia Capacity Grant	0
3,660	General Capital Grant	3,668
1,050	Hafod Renewal Area Grant	902
77	Regional Transport Programme Grant	75
159	WEFO Convergence Grant	763
193	Strategic Regeneration Area Grant	826
0	School Building Improvement Grant	38
0	Pupil Deprivation Grant	2,701
0	Convergence RES	959
1,630	Communities First	1,386
17,344	Other Grants	16,984
<b>196,999</b>		<b>203,045</b>

## **NOTES TO THE ACCOUNTS**

### **32. Related Parties**

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

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

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

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

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

Levies / Contributions paid to the two bodies were:-

Mid and West Wales Fire Authority:-	£11.360m (2011/12 £11.119m)
Swansea Bay Port Health Authority:-	£0.089m (2011/12 £0.098m)

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 2012/13 was £14.876m (2011/12 £14.096m).

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

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

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

The Swansea City Waste Disposal Company Limited ("the Company") is a wholly owned subsidiary of the Authority. The activities of the Company involve the management of the baling plant, civic amenity sites and the central land disposal site at Tir John.

The value of the Authority's investment in the company as at 31st March 2013 remains at £0.

The nature of the Company's activities is such that net worth (and hence the value of the Authority's shareholding) will diminish substantially over time, due to the commercial value of the landfill site diminishing as its capacity to accept waste comes to an end. As at 31st March 2012 the net worth of the Company was -£11.098m.

Purchases from, and charges made to the Company in 2011/12 amounted to £8.633m. Rent, rates and royalties receivable total £171k. Sales of £1,359k were made to the Company.

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

Copies of the accounts of the Company are available from its registered office, Ferryboat Close, Enterprise Park, Morriston, Swansea SA6 8QN.

## **NOTES TO THE ACCOUNTS**

### **The National Waterfront Museum Swansea**

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

The purpose of the Company is to develop the National Industrial and Maritime Museum at Swansea. The Company derives its funds from several sources, including the Welsh Government, the National Museums and Galleries of Wales 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.

Income for the company for 2012/13 amounted to £0.0046m (2011/12 £0.0058m) with expenditure for the year totalling £0.162m (2011/12 £0.166m).

The outstanding debtors and creditors at 31st March 2013 were £1,422 and £2,200 (2012 £1,844 and £3,869).

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)**

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

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

## **NOTES TO THE ACCOUNTS**

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

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
278	Funding provided by the Authority towards operating costs of the pool	309
95	Sum paid for the free use of the pool by schools and other bodies	101
-728	Recharges of wages, salaries and other costs to the Company	-741

The Company has seven directors, of which three are appointed by the City and County of Swansea, three by Swansea University, with the seventh director being an independent chairman. The Company is treated as being a joint venture with the Authority in the group accounts.

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.

The outstanding debtors and creditors at 31st March 2013 were £831k and £0 (2012 £412k and £0).

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

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

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

The Council incurred £140k of expenditure with the Swansea Stadium Management Company Limited in 2012/13 (£263k 2011/12).

The outstanding debtors and creditors at 31st March 2013 were £31k and £0 (2012 £30k and £0).

## **NOTES TO THE ACCOUNTS**

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

On the basis that the Company has been loss making during 2011/12 and the profit is immaterial in 2012/13 the company's results have not been consolidated into the Group Accounts.

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

### **Swansea Bay Futures Limited**

The company's principal activity is promoting Swansea and the surrounding region as a place, to live, study, work, invest in and visit. It aims to increase awareness of what the area has to offer and how it is changing and developing thereby challenging erroneous perceptions that exist and creating a positive impression of the area across UK and internationally.

The expenditure incurred by the company in the year has been funded by a grant from the City and County of Swansea and income from Premier Partner, Partner and Ambassador agreements with businesses and organisations committed to seeing the area grow and prosper. The company operates on a not for profit basis. The City and County of Swansea typically has a representation of 4 Directors of the board holding office during the year. Funding for the Company has ceased from 1st April 2011 onwards.

Swansea Bay Futures Limited has been treated as an associate in the Authority's accounts.

There were no transactions with the company during the year.

## **NOTES TO THE ACCOUNTS**

There were no outstanding debtors and creditors at 31st March 2013 and 31st March 2012. Accounts for the company can be obtained from Swansea Bay Futures Limited, Llys Tawe, Kings Road, Swansea, SA1 8PG.

### **Bay Leisure Limited**

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 the City and County of Swansea and remains classified as an operational asset within the Authority's accounts.

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

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

Funding set aside in the Authority's revenue budget for 2012/13 amounts to £0.90m (2011/12 £1m) which reflects both the management fee payable to the company and a contribution to the future major repairs fund.

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



## **NOTES TO THE ACCOUNTS**

### **e) Other Organisations**

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

During 2012/13 and 2011/12 there were no payments made to any organisations which constitute a Related Party in relation to any Members of the Council.

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

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

### **g) Pension Fund**

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

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

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

On 31st March 2012 the banking arrangements for both the Authority and the Pension Fund changed in that a new banking contract with Lloyds TSB Bank PLC came into force. At that time, and in order to facilitate the transfer of balances from the previous bank, a deposit of £20m was made from the Pension Fund Account into the Council's Treasury Management Account. This has subsequently been repaid along with appropriate interest. The Appointed Auditor has received legal advice that the transaction was contrary to the relevant Pension Fund regulations and was, therefore, unlawful.

During 2012/13 the whole of this sum was repaid to the Pension Fund.

## NOTES TO THE ACCOUNTS

Separately, the Council previously believed that it held pooled investments between the Council and the Pension Fund, but the Appointed Auditor has received legal advice that the Council's operating practice did not in fact constitute pooled investments and that its sharing of investment income with the Pension Fund - to the amount of £325,678 since 1st April 2011 - was in fact unlawful. This amount has subsequently been repaid to the Council by the Pension Fund.

During 2012/13 arrangements to separate and disaggregate all investment activities of the Council and the Pension Fund were implemented to ensure compliance with legislation.

### 33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, (including the value of assets acquired under finance leases), 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.

2011/12	2012/13
£'000	£'000
<b>375,416 Opening Capital Financing Requirement</b>	<b>372,180</b>
<b>Capital investment</b>	
48,304 Property, Plant and Equipment	67,813
2,014 Heritage Assets	1,051
5,364 Investment Properties	952
25 Intangible Assets	215
8,688 Revenue Expenditure Funded from Capital under Statute	9,233
<b>Sources of finance</b>	
-6,118 Capital receipts	-4,962
-36,082 Government grants and other contributions	-32,033
2,488 Other additions / omissions relating to prior years	-1,818
Sums set aside from revenue:	
-12,786 Direct revenue contributions	-19,217
-15,133 MRP/loans fund principal	-14,735
<b><u>372,180 Closing Capital Financing Requirement</u></b>	<b><u>378,679</u></b>
<b>Explanation of movements in year</b>	
-6,918 Prior and current year adjustment	771
3,526 Increase in underlying need to borrowing (supported by government financial assistance)	4,289
-845 Decrease in underlying need to borrowing (unsupported by government financial assistance)	0
1,001 Assets acquired under finance leases	1,439
<b><u>-3,236 Increase/(decrease) in Capital Financing Requirement</u></b>	<b><u>6,499</u></b>

## NOTES TO THE ACCOUNTS

### 34. Leases

#### Authority as Lessee

#### Finance Leases

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

	31 March 2013	31 March 2012
	£'000	£'000
Vehicles, Plant, Furniture and Equipment	3,062	2,470

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

	31 March 2013	31 March 2012
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments) :		
- current	779	664
- non-current	1,558	1,110
Finance costs payable in future years	135	39
Minimum lease payments	<u>2,472</u>	<u>1,813</u>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£'000	£'000	£'000	£'000
Not later than one year	789	675	779	664
Later than one year and not later than five years	1,313	1,138	1,252	1,110
Later than five years	370	0	306	0
	<u>2,472</u>	<u>1,813</u>	<u>2,337</u>	<u>1,774</u>

## NOTES TO THE ACCOUNTS

### Operating Leases

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

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

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Not later than one year	80	80
Later than one year and not later than five years	64	50
Later than five years	8	8
	<u>152</u>	<u>138</u>

The operating lease charge for the year was £152k (2011/12 £136k).

### 35. Impairment Losses

During 2012/13 the Authority has recognised impairment charges of £35.788m (2011/12 £24.961m) within the Comprehensive Income and Expenditure Statement. Of this, £35.745m was attributable to non enhancing expenditure, the remaining charge to Education, Schools Delegated Budget was as a result of St Josephs Cathedral School Canteen building no longer used for its purpose.

The non enhancing capital expenditure was split between many schemes, some of which applied to individual assets and some to asset groups. In 2012/13 the majority of the charge was for improvements to the Authority's Council Dwellings. This resulted in a charge of £25.303m (2011/12 £18.582m) to the Housing Revenue Account.

### 36. Termination Benefits

During 2012/13 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.

## **NOTES TO THE ACCOUNTS**

Costs were incurred relating to redundancy payments and early access to pension costs totalling £2.291m (2011/12 £3.091m) for the year.

These costs include provision for costs for a limited number of employees whose service will be terminated in 2013/14 but who had been offered - and accepted - severance terms as at 31st March 2013.

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.

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

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13 the Authority paid £10.34m to Teachers' Pensions in respect of teachers retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £10.28m and 14.1%. There were no contributions remaining payable at the year end.

## **NOTES TO THE ACCOUNTS**

### **38. 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 that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by the City and County of Swansea - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement for both LGPS employees and teaching staff, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

## NOTES TO THE ACCOUNTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2012/13 £m	2011/12 £m	2012/13 £m	2011/12 £m
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
- current service cost	29.61	26.15	0	0
- past service costs	0.00	2.44	0.90	1.42
Financing and Investment Income and Expenditure				
- interest cost	54.06	52.72	3.92	4.29
- expected return on scheme assets	-44.48	-46.38	0	0
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>39.19</b>	<b>34.93</b>	<b>4.82</b>	<b>5.71</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
- actuarial (gains) and losses	44.65	130.04	6.15	7.41
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
<b>Movement in Reserves Statement</b>				
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code				
Actual amount charged against the General Fund Balance for pensions in the year:				
- employers' contributions payable to scheme	29.03	29.30		
- retirement benefits payable to pensioners			5.66	5.41

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012/13 is a loss of £308.063m (£257.263m 2011/12).

## NOTES TO THE ACCOUNTS

The actuarial loss is made up of both a loss on liabilities offset somewhat by a gain on assets. The actuarial loss on the liabilities is predominantly due to the change in financial assumptions used at the start and end accounting dates for the period. More specifically, the main reason for the loss are the reduction in the discount rate of 0.4% (which is based on yields of AA rated corporate bonds of appropriate duration) and an increase in the pension increase assumption of 0.2% - these have been partially offset by the decrease in the salary increase assumption. The actuarial gain on assets is predominantly due to the actual Fund returns over the accounting period being higher than had been assumed in the previous disclosure (return achieved 14.2% versus expected return of 6.9%).

### Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	<b>Funded liabilities:</b>		<b>Unfunded liabilities:</b>	
	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits</b>	
	<b>2012/13</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2011/12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Opening balance at 1st April	1,119.56	970.17	87.61	79.90
Current service cost	29.61	26.15	0	0
Interest cost	54.06	52.72	3.92	4.29
Contributions by scheme participants	8.26	8.28	0	0
Actuarial gains and losses	91.86	82.80	6.15	7.41
Benefits paid	-24.17	-23.00	-5.66	-5.41
Past service costs	0.00	2.44	0.90	1.42
Closing balance at 31st March	<u>1,279.18</u>	<u>1,119.56</u>	<u>92.92</u>	<u>87.61</u>

Reconciliation of fair value of the scheme (plan) assets:

	<b>Local Government Pension Scheme</b>	
	<b>2012/13</b>	<b>2011/12</b>
	<b>£m</b>	<b>£m</b>
Opening balance at 1st April	<u>641.69</u>	<u>627.97</u>
Expected rate of return	44.48	46.38
Actuarial gains and losses	47.21	-47.24
Employer contributions	29.03	29.30
Contributions by scheme participants	8.26	8.28
Benefits paid	-24.17	-23.00
Closing balance at 31st March	<u>746.50</u>	<u>641.69</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.



## NOTES TO THE ACCOUNTS

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £91.69m (2011/12: -£0.86m).

### Scheme History

	2008/09	2009/10	2010/11	2011/12	2012/13
	£m	£m	£m	£m	£m
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	-785	-1,088	-970	-1,120	-1,279
Discretionary Benefits	-24	-26	-23	-24	-25
Enhanced Teachers Unfunded Benefits	-37	-62	-57	-63	-68
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>422</b>	<b>588</b>	<b>628</b>	<b>642</b>	<b>747</b>
<b>Deficit in the scheme:</b>					
Local Government Pension Scheme	-363	-499	-342	-478	-533
Discretionary Benefits	-24	-26	-23	-24	-25
Enhanced Teachers Unfunded Benefits	-37	-62	-57	-63	-68
<b>Total</b>	<b>-424</b>	<b>-587</b>	<b>-422</b>	<b>-565</b>	<b>-626</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,372.10m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £625.600m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy in the medium term:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme Actuary,
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 is £30.81m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £5.77m.

## **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 2010.

The principal assumptions used by the Actuary have been:

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits</b>	
	<b>2012/13</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2011/12</b>
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.8	8.1		
Property	7.3	7.6		
Government Bonds	2.8	3.1		
Corporate Bonds	3.8	3.7		
Other	7.8	8.1		
Cash	0.9	1.8		
Mortality assumptions				
Longevity at 65 for current pensioners: (years)				
- Men	21.7	21.6	21.7	21.6
- Women	23.9	23.8	23.9	23.8
Longevity at 65 for future pensioners:(years)				
- Men	23.5	23.4		
- Women	25.8	25.7		
Rate of inflation - CPI %	2.8	2.6	2.6	2.4
Rate of inflation - RPI %	3.7	3.6	3.5	3.4
Rate of increase in salaries %	4.7	5.1		
Rate of increase in pensions %	2.8	2.6	2.6	2.4
Rate for discounting scheme liabilities %	4.4	4.8	4.1	4.6
Take-up of option to convert annual pension into retirement lump sum	50%	50%		

## NOTES TO THE ACCOUNTS

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	<b>31st March 2013</b>	<b>31st March 2012</b>
	%	%
Equity investments	72	68
Government Bonds	14	15
Corporate Bonds	1	2
Other assets	8	11
Property	5	4
	100	100
	100	100

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2013:

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	%	%	%	%	%
Differences between the expected and actual return on assets	-26.8	21.6	-2.4	-7.4	6.3
Experience gains and losses on liabilities - LGPS	-0.4	0.8	5.2	-0.6	0.1
Experience gains and losses on liabilities - Discretionary	2.3	4.2	0.8	-1.6	0.2
Experience gains and losses on liabilities - Enhanced Teachers Unfunded Benefits	4.9	3.5	0.2	-1.9	0.2

## NOTES TO THE ACCOUNTS

### 39. 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	Relates to potential abuse claims relating to children cared for in previous authorities. Recent legislation has extended the period in which claims can be made beyond the initial period of six years during which a persons life could be said to be affected by abuse and, as such, the potential for such claims is greater than in the past. The Authority is not currently aware of any major claims.	Unknown
Infrastructure and retaining walls	Unknown	There are potential claims regarding infrastructure and retaining walls which may be taken against the Authority - such claims will be rigorously defended through the Authority's insurers and any successful claims will be met from future capital or revenue funding.	Unknown
Financial Guarantees	Unknown	<p>The Authority has in place funding agreements in respect of operating losses/management fees with regard to the following operational companies:-</p> <ul style="list-style-type: none"> <li>- Bay Leisure Limited ( Leisure centre),</li> <li>- Wales National Pool Swansea.</li> </ul> <p>To date any contributions made to these companies have fallen within the annual revenue budget provision.</p> <p>With respect to Bay Leisure Limited (Swansea Leisure Centre) there is an obligation to consider annual funding requests but no contractual liability to fund deficits.</p> <p>In both instances the Authority makes what it considers to be a reasonable annual budget provision to meet its obligations based on business plans from both organisations and past funding experience, and, as such, any further liability would be limited to sums in excess of the normal budget provision.</p>	Unknown

## **NOTES TO THE ACCOUNTS**

<b>Nature of Liability</b>	<b>Potential Financial Effect £'000</b>	<b>Comment</b>	<b>Timing</b>
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. In respect of known future liabilities the Authority has made what it considers to be adequate revenue provision within the Accounts to cater for the estimated value of such liabilities.</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>	2013/14
Job Evaluation	Unknown	<p>The Authority is currently committed to undertaking a pay and grading review designed primarily to comply with equal pay legislation. The Authority believes it has made reasonable provision through the creation of earmarked reserves to meet any costs arising from this exercise.</p>	2013/14
Fforestfach Fire	£1m	<p>Following a major industrial fire at Fforestfach, Swansea, the Council deposited approximately 5,000 tons of industrial waste at a temporary landfill site at the TATA Steel site in Port Talbot. The landfill was carried out on a temporary basis pending a full environmental impact assessment of the materials and site. An application for planning permission for permanent disposal at this site has been made but, if not granted, the material will have to be excavated and sent for disposal at a suitable site if one can be identified.</p>	2013/14
Retention on Grant and Contract Claims	Unknown	<p>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.</p>	2014/15

## **NOTES TO THE ACCOUNTS**

### **40. Contingent Assets**

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

<u>Nature of Contingent asset</u>	<u>Potential financial effect £'000</u>	<u>Comment</u>	<u>Timing</u>
HMRC Trade Waste	1,500	This relates to an ongoing claim against HMRC in respect of output tax declared on Trade Waste Claims over a number of years. Responses from HMRC seem to accept the claim but are dependant on a view around unjust enrichment. During 2012/13 the Council was successful in achieving repayment of part of this claim - the remainder (post 2005) is being considered by HMRC.	2013/14
HMRC Trade Waste	500	This relates to Interest due on agreed claims for the period 1999 to 2005. HMRC are considering both the accuracy of the claim and its size. The claim is likely to be met.	2013/14
HMRC car parking	8,000	This relates to an ongoing claim against HMRC in respect of output tax declared on off street car park income. The outcome is dependant on a current lead case (Isle of Wight) .	2013/14
HMRC Compound Interest	Not known but in excess of £1,000	The Authority has submitted a claim relating to previously settled 'Fleming' claims which were subject to simple interest. It is the Authority's contention that interest should have been accrued on a compound basis.	2013/14

## **NOTES TO THE ACCOUNTS**

### **41. 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 87,806 in 2012/2013 (87,363 in 2011/2012).

The basic amount for a band 'D' property is £1,160.33 (£1,152.26 for 2011/12) is multiplied by the proportion specified for the particular band to give the individual amounts due.

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

The band 'D' numbers shown have been adjusted for an assumed collection rate of 97.5% (97.5% in 2011/12) to arrive at the Council Tax base for the year.

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band 'D' Number	13	8,884	18,111	17,814	13,561	13,122	9,998	5,588	2,010	856

Analysis of the net proceeds from Council Tax:

<b>2011/12</b>	<b>2012/13</b>
<b>£'000</b>	<b>£'000</b>
102,913 Council tax collectable	104,078
-1,313 Less:- Provision for non payment of Council tax	-973
101,600	103,105
Net proceeds from Council Tax	

## **NOTES TO THE ACCOUNTS**

Application of Council Tax proceeds:

<b>2011/12</b>	<b>2012/13</b>
<b>£'000</b>	<b>£'000</b>
100,665 City & County of Swansea precept	101,884
<u>821 Community Council precept</u>	<u>854</u>
101,486 Council Tax requirement	102,738
114 Transfer to reserves	367
<u><u>101,600 Net application of proceeds</u></u>	<u><u>103,105</u></u>

### **42. 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 2012/13 was 0.452p (0.428p in 2011/12) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR Pool administered by the Welsh Government. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £70.472m for 2012/13 (£68.106m for 2011/12) was based on a rateable value at year end of £195.399m (£198.222m 2011/12).

The £70.472m represents the NNDR income collected by the Council and paid into the NNDR Pool that is administered by the Welsh Government. The £64.518m disclosed on the face of the Comprehensive Income and Expenditure Statement is the receipt the Council received back from the Welsh Government.



## NOTES TO THE ACCOUNTS

Analysis of the proceeds from non domestic rates:

2011/12	2012/13
£'000	£'000
70,445 Non – domestic rates due	72,087
-316 Council fund contribution to rate relief	-348
70,129	71,739
-451 Less: cost of collection	-462
-1,520 Provision for bad debts	-766
-52 Interest due on overpayments	-39
68,106 NNDR due to pool	70,472
55,556 Net receipt from pool	64,518

### 43. Trust Funds

We administer 34 trust funds in support of specific services. These are varied in nature and relate to various donations, legacies and bequests. Income is also received from funds relating to the Welsh Church Acts. The funds are invested in external securities to produce income for the purpose of the various funds. The application of the funds covers a range of activities including education, social and recreational needs and the protection of historic buildings.

The principal funds are:

	Income For year	Expenditure For year	Assets 31/03/2013	Liabilities 31/03/2013
<u>2012/13</u>	£	£	£	£
Welsh Church Acts – various charitable schemes	39,389	54,163	961,259	85,233
Swansea Children's Relief in Need	18,386	14,857	780,403	0
Swansea Further Education Trust Fund	1,327	3,431	137,655	0
Swansea Foundation – education	1,792	23,324	223,265	0
Lord Mayors Fund – various charitable schemes	13,971	64,324	7,895	0
Other trust funds - various charitable schemes	27,883	32,525	355,562	0
Swansea Workshops for the Blind	871	871	479,497	0
Vision Impaired West Glamorgan (Previously known as West Glamorgan Blind Welfare Association)	32,068	26,986	12,210	0
<b>Total</b>	<b>135,687</b>	<b>220,481</b>	<b>2,957,746</b>	<b>85,233</b>

## NOTES TO THE ACCOUNTS

The principal funds are:

	Income For year	Expenditure For year	Assets 31/03/2012	Liabilities 31/03/2012
<u>2011/12</u>	£	£	£	£
Welsh Church Acts – various charitable schemes	36,261	39,260	1,064,803	88,930
Swansea Children's Relief in Need	24,326	17,184	776,515	0
Swansea Further Education Trust	3,484	4,541	139,760	0
Swansea Foundation – education	3,283	16,363	244,797	0
Lord Mayors Fund – various charitable schemes	37,136	36,192	60,727	0
Other trust funds - various charitable schemes	27,111	29,106	331,179	0
Swansea Workshops for the Blind	853	853	474,611	0
Vision Impaired West Glamorgan (Previously known as West Glamorgan Blind Welfare Association)	26,416	26,366	12,210	0
<b>Total</b>	<b>158,870</b>	<b>169,865</b>	<b>3,104,602</b>	<b>88,930</b>

The trust funds do not form part of the assets of the City and County of Swansea and are therefore not included in the Balance Sheet or Comprehensive Income and Expenditure Statement.

#### 44. Jointly Controlled Operations

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

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

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

## **NOTES TO THE ACCOUNTS**

In respect of this Authority we have identified that the following should be regarded as joint arrangements:

- Excellent Regional Working (ERW) formerly South and Mid Wales Consortium (SWAMWAC) - Education support
- Joint Childcare Legal Arrangements - ceased on 31st March 2012
- Joint Archive Service
- South West Wales Integrated Transport Consortium (SWWITCH)
- Casualty Reduction Partnership
- Safer Swansea Community Safety Partnership
- Joint Resilience Unit - Swansea & Neath Port Talbot
- Local Resilience Forum - Local Health Board, Local Authorities, Environment Agency & Fire Service
- South West Wales Regional Waste Management

The Authority's share of the Income & Expenditure Account and Balance Sheet for all the joint arrangements are as follows:

<b><u>SWAMWAC</u></b>	<u>2012/13</u>		<u>2011/12</u>	
	<u>Total</u>	<u>CCS Share</u>	<u>Total</u>	<u>CCS Share</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b><u>Comprehensive Income and Expenditure Statement</u></b>				
Expenditure	228	30	1,514	46
Income	-228	-30	-1,514	-46
(Surplus) / Deficit of the year	0	0	0	0
<b><u>Balance Sheet</u></b>				
Current Assets				
Current Liabilities	-824	-69	-1,577	-99
Total Assets less Liabilities	-824	-69	-1,577	-99
Reserves	824	69	1,577	99
Total Financing	824	69	1,577	99

## NOTES TO THE ACCOUNTS

### Joint Childcare Legal Arrangements

	<u>2012/13</u>		<u>2011/12</u>	
	<u>Total</u>	<u>CCS Share</u>	<u>Total</u>	<u>CCS Share</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Comprehensive Income and Expenditure Statement</u>				
Expenditure	0	0	2,544	1,275
Income	0	0	-2,544	0
Deficit of the year	0	0	0	1,275

### Balance Sheet

Current Assets				
Current Liabilities				
Total Assets less Liabilities	0	0	0	0
Reserves				
Total Financing	0	0	0	0

### Joint Archive Service

	<u>2012/13</u>		<u>2011/12</u>	
	<u>Total</u>	<u>CCS Share</u>	<u>Total</u>	<u>CCS Share</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Comprehensive Income and Expenditure Statement</u>				
Expenditure	410	298	404	291
Income	-16	-11	-26	-18
Net cost of service	394	287	378	273
Net operating cost	394	287	378	273
Contributions	-394	-287	-378	-273
(Surplus) / Deficit of the year	0	0	0	0

### Balance Sheet

Current Assets	192	131	185	126
Current Liabilities	-1	-1	-2	-2
Total Assets less Liabilities	191	130	183	124
Reserves	191	-130	183	-124
Total Financing	191	-130	183	-124

## NOTES TO THE ACCOUNTS

### **SWWITCH**

	2012/13		2011/12	
	<u>Total</u> <u>£'000</u>	<u>CCS Share</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>CCS Share</u> <u>£'000</u>
<b><u>Comprehensive Income and Expenditure Statement</u></b>				
Expenditure	622	177	494	189
Income	-548	-103	-425	-120
Deficit of the year	74	74	69	69
<b><u>Balance Sheet</u></b>				
Current Assets	474	135	82	31
Current Liabilities	-474	-135	-82	-31
Total Assets less Liabilities	0	0	0	0
<b>Reserves</b>				
Total Financing	0	0	0	0

### **Casualty Reduction Partnership**

	2012/13		2011/12	
	<u>Total</u> <u>£'000</u>	<u>CCS Share</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>CCS Share</u> <u>£'000</u>
<b><u>Comprehensive Income and Expenditure Statement</u></b>				
Expenditure	4,944	602	6,375	539
Income	-4,944	-542	-6,375	-501
Deficit of the year	0	60	0	38
<b><u>Balance Sheet</u></b>				
Current Assets	3,000	327	3,000	235
Current Liabilities	-3,000	-327	-3,000	-235
Total Assets less Liabilities	0	0	0	0
<b>Reserves</b>				
Total Financing	0	0	0	0

### **Safer Swansea Community Safety Partnership**

	2012/13		2011/12	
	<u>Total</u> <u>£'000</u>	<u>CCS Share</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>CCS Share</u> <u>£'000</u>
<b><u>Comprehensive Income and Expenditure Statement</u></b>				
Expenditure	2,781	2,781	3,025	3,025
Income	-2,506	-2,506	-2,756	-2,756
Deficit of the year	275	275	269	269
<b><u>Balance Sheet</u></b>				
Current Assets	1,642	1,642	923	923
Current Liabilities	-1,642	-1,642	-923	-923
Total Assets less Liabilities	0	0	0	0
<b>Reserves</b>				
Total Financing	0	0	0	0

## NOTES TO THE ACCOUNTS

### Joint Resilience Unit

	<u>2012/13</u>		<u>2011/12</u>	
	<u>Total</u>	<u>CCS Share</u>	<u>Total</u>	<u>CCS Share</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Comprehensive Income and Expenditure Statement</u>				
Expenditure	168	93	242	144
Income	-5	-5	-4	-4
Net cost of service	163	88	238	140
Net operating cost	163	88	238	140
Contributions	-75	0	-83	0
Deficit of the year	88	88	155	140
<u>Balance Sheet</u>				
Current Assets	30	15	30	15
Current Liabilities				
Total Assets less Liabilities	30	15	30	15
Reserves	-30	-15	-30	-15
Total Financing	-30	-15	-30	-15

### Local Resilience Forum

	<u>2012/13</u>		<u>2011/12</u>	
	<u>Total</u>	<u>CCS Share</u>	<u>Total</u>	<u>CCS Share</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Comprehensive Income and Expenditure Statement</u>				
Expenditure	98	5	73	5
Income				
Net cost of service	98	5	73	5
Net operating cost	98	5	73	5
Contributions	-98	-5	-73	-5
(Surplus) / Deficit of the year	0	0	0	0
<u>Balance Sheet</u>				
Current Assets	110	7	123	8
Current Liabilities	-110	-7	-123	-8
Total Assets less Liabilities	0	0	0	0
Reserves				
Total Financing	0	0	0	0

## **NOTES TO THE ACCOUNTS**

### **South West Wales Regional Waste Management**

	<u>2012/13</u>		<u>2011/12</u>	
	<u>Total</u>	<u>CCS Share</u>	<u>Total</u>	<u>CCS Share</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b><u>Comprehensive Income and Expenditure Statement</u></b>				
Expenditure	673	135	723	145
Income	-677	-135	-385	-77
Net cost of service	-4	-1	338	68
Net operating cost				
Contributions				
Deficit / (Surplus) of the year	<u>-4</u>	<u>-1</u>	<u>338</u>	<u>68</u>
 <b><u>Balance Sheet</u></b>				
Current Assets	411	82	488	98
Current Liabilities	-170	-34	-251	-50
Total Assets less Liabilities	<u>241</u>	<u>48</u>	<u>237</u>	<u>48</u>
Reserves	<u>241</u>	<u>48</u>	<u>237</u>	<u>48</u>
Total Financing	<u>241</u>	<u>48</u>	<u>237</u>	<u>48</u>

## NOTES TO THE ACCOUNTS

### 45. Heritage Assets: Five Year Summary of Transactions

	2008/09	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000
<b>Cost of acquisition of heritage assets</b>					
Heritage Land, Buildings & Infrastructure	59	0	0	2,014	228
Art & Museums	0	0	0	0	323
Memorials	0	10	0	0	0
Civic Regalia	0	0	0	0	0
Furniture, Fixtures & Fittings	0	0	0	0	0
Transport	0	0	0	0	0
Archives	0	0	0	0	500
Other	0	0	0	0	0
<b>Total Cost of purchases</b>	<b>59</b>	<b>10</b>	<b>0</b>	<b>2,014</b>	<b>1,051</b>
<b>Value of heritage assets acquired by donation</b>					
Heritage Land, Buildings & Infrastructure	0	0	0	0	0
Art & Museums	0	0	0	0	0
Memorials	0	0	0	0	0
Civic Regalia	0	0	0	0	0
Furniture, Fixtures & Fittings	0	0	0	0	0
Transport	0	0	0	0	0
Archives	0	0	0	0	0
Other	0	0	0	0	0
<b>Total Donations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transfer of assets from other categories in the period</b>					
Heritage Land, Buildings & Infrastructure	0	0	0	0	0
Art & Museums	0	0	0	0	0
Memorials	0	0	0	0	0
Civic Regalia	0	0	0	0	0
Furniture, Fixtures & Fittings	0	0	0	0	0
Transport	0	0	0	0	0
Archives	0	0	0	0	0
Other	0	0	0	0	0
<b>Total Donations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revaluation of assets in the period</b>					
Heritage Land, Buildings & Infrastructure	0	0	0	0	0
Art & Museums	0	0	0	0	-180
Memorials	0	0	0	0	0
Civic Regalia	0	0	0	0	0
Furniture, Fixtures & Fittings	0	0	0	0	0
Transport	0	0	0	0	0
Archives	0	0	0	0	0
Other	0	0	0	0	0
<b>Total Donations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-180</b>



## **NOTES TO THE ACCOUNTS**

### **46. Heritage Assets: Further Information**

Heritage Assets considered but not recognised in the Balance Sheet as value/cost information is unavailable.

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

- Hafod Copperworks including :-
  - Boundary Wall of former Hafod Copper Works
  - Chimney West of Vivian Engine House
  - Copper slag abutment to former waste tip tramroad
  - Pier to former waste tip tramroad and adjoining Morfa Quay
  - Hafod Lime Kiln
  - Vivian Engine House
  - Laboratory Building
  - White Rock archaeological remains
- Gun Embankment x 2 (Mumbles Lighthouse)
- The Ivy Tower, Clyne Woods
- Viewing Tower, Clyne Gardens
- Footbridge over Clyne River (known as Roman Bridge Mumbles Rd, Blackpill - CADW ref 11760 & 22572)
- Italian Bridge Clyne Gardens
- Slip bridge and abutments
- Japanese Bridge
- Morfa Bridge (off Normandy Road, Landore - CADW ref 81960,11699)
- Morydd Street Bridge and Boundary Wall
- Mumbles Battery
- Former Mumbles Railway Electricity Sub-Station
- Former Glynn Vivian Locomotive Shed
- Gazebo Clyne Gardens
- Magazine on north west side of Mumbles Lighthouse
- The Belvedere, Saunders Way, Sketty
- Fountain in Botanical Gardens
- Prince's Fountain
- Veranda House
- Scotts Pit, Llansamlet
- Land and ruin of Morris Castle

#### **Art & Museums**

- Dylan Thomas Exhibition
- Mansion House Contents
- Costume Exhibition (Swansea Museum)
- Historic photographs (Swansea Museum)
- Other collections (Swansea Museum)
- Swansea Museum, Collections Centre Landore or the Tramway Centre
- Plinth and Statue of J H Vivian
- Statue of William Thomas

## **NOTES TO THE ACCOUNTS**

### **Memorials**

- Mumbles Gardens Memorials
- Treboeth Community Centre memorial
- Gower Memorial opposite Kingshead PH
- Memorial Fountain to Henry Evans Charles
- South African war memorial, Mumbles Road
- Swansea Jack memorial
- War Memorial in Danygraig Park, St Thomas
- War Memorial in Morryston Park
- War Memorial, Parc Briallu
- War Memorial Carmarthen Road

### **Transport**

- 8 Boats
- 1 Dinghy Boat
- 1 Lifeboat

### **Other**

- Iron Bollard on East side of River Tawe
- Iron Bollard on West bank of River Tawe (CADW Ref 11599 & 11600)
- The Guildhall Flag Staff

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

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

<u>2011/12</u>		<u>2012/13</u>
<u>£'000</u>		<u>Note</u> <u>£'000</u> <u>£'000</u>
	<b><u>Expenditure</u></b>	
12,428	Repairs and maintenance	11,040
12,571	Supervision and management	13,140
682	Rent, rates, taxes and other charges	684
6,143	Negative HRA subsidy payable	5,595
20,409	Depreciation and impairment of non-current assets	6 27,122
38	Debt management costs	38
373	Movement in the allowance for bad debts	269
3	Revenue expenditure funded from capital under statute	0
52,647	<b>Total Expenditure</b>	57,888
	<b><u>Income</u></b>	
-44,827	Dwelling rents	-46,548
-115	Non-dwelling rents	-128
-2,355	Charges for services and facilities	-2,415
-941	Contributions towards expenditure	-937
-48,238	<b>Total Income</b>	-50,028

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

<u>2011/12</u>		<u>2012/13</u>
<u>£'000</u>		<u>£'000</u>
4,409	Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement	7,860
662	HRA services' share of Corporate and Democratic Core	692
5,071	<b>Net Cost for HRA Services</b>	8,552
	<b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
3,776	Interest payable and similar charges	3,627
-57	Interest and investment income	-58
473	Pensions interest cost and expected return on pensions assets	675
-9,100	Capital grants and contributions receivable	-9,100
-47	Income and expenditure in relation to investment properties and changes in their fair value	367
-4,955		-4,489
116	<b>Surplus(-)/deficit for the year on HRA services</b>	4,063

## MOVEMENT ON THE HRA BALANCE

<u>2011/12</u>		<u>2012/13</u>
<u>£'000</u>		<u>£'000</u>
15,438	Balance on the HRA at the end of the previous year	16,058
-116	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	-4,063
1,071	Adjustments between accounting basis and funding basis under statute	1,935
<hr style="width: 100%; border: 0.5px solid black;"/>		<hr style="width: 100%; border: 0.5px solid black;"/>
955		-2,128
	<b>Net increase before transfers to or from reserves</b>	
-335	Transfers from / to reserves	28
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620	<b>Increase or (decrease) in year on the HRA</b>	-2,100
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16,058	<b>Balance on the HRA at the end of the current year</b>	13,958
		<hr style="width: 100%; border: 0.5px solid black;"/>
	<b><u>Adjustments between accounting basis and funding basis under statute</u></b>	
	<b>Adjustments primarily involving the Capital Adjustment Account:</b>	
	<b>Reversal of items debited or credited to the HRA Income and Expenditure Statement:</b>	
20,320	Charges for depreciation and impairment of non-current assets	27,116
-47	Movement in the market value of Investment Properties	367
89	Revaluations losses	6
3	Revenue Expenditure funded from Capital under statute	0
-3	Transfer to Capital Adjustment Account	0
	<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
-1,464	Statutory provision for the financing of capital investment	-1,423
-9,254	Capital expenditure charged against the HRA balance	-15,835
	<b>Adjustments primarily involving the Capital Grants Unapplied Account -</b>	
-9,100	Capital grants and contributions receivable	-9,100
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account -</b>	
	Amount by which finance costs charged to the HRA Income and Expenditure Account are different from finance costs chargeable in the year in accordance with statutory requirements	
101		93
	<b>Adjustments primarily involving the Pensions Reserve -</b>	
	Reversal of items relating to retirement benefits debited or credited to the HRA Income and Expenditure Statement	
1,746		2,109
	Employers pensions contributions and direct payments to pensioners payable in the year	
-1,308		-1,403
	<b>Adjustments primarily involving the Accumulated Absences Account -</b>	
	Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
-12		5
<hr style="width: 100%; border: 0.5px solid black;"/>		<hr style="width: 100%; border: 0.5px solid black;"/>
1,071	<b>Total Adjustments</b>	1,935
		<hr style="width: 100%; border: 0.5px solid black;"/>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. Housing Stock

As at 31st March 2013 the Authority owned a total of 13,590 properties, made up of different types of dwelling including detached houses, semi-detached houses, bungalows, low level flats, high rise accommodation and sheltered accommodation.

The change in stock numbers can be summarised as follows:

<b>31/03/2012</b>		<b>31/03/2013</b>
<b>Units</b>		<b>Units</b>
13,629	Stock at 1 <sup>st</sup> April	13,609
-16	Sales	-19
-4	Demolitions/out of income	0
<u>13,609</u>	Stock at 31 <sup>st</sup> March	<u>13,590</u>

## 2. Rent arrears and provisions for bad debts

### Rent arrears

<b>31/03/2012</b>		<b>31/03/2013</b>
<b>£'000</b>		<b>£'000</b>
999	Current tenants	1,042
450	Former tenants	490
<u>1,449</u>		<u>1,532</u>

Former tenants arrears written off during 2012/13 totalled £0.269m (2011/12 £0.252m). A bad debts provision has been made in the accounts in respect of potentially uncollectable rent arrears. The value of the provision at 31st March 2013 is £0.950m (31st March 2012 £0.950m).

### Provision for bad debts

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
-829	Provisions as at 1st April	-950
252	Arrears written off during year	269
-373	Increase in provision required	-269
<u>-950</u>	Provisions as at 31st March	<u>-950</u>

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

### **3. Capital expenditure**

During 2012/13 £25.303m (2011/12 £18.585m) was spent on Council Housing.

This was financed as follows:-

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
9,100	Grants – Major Repairs Allowance	9,100
<u>9,485</u>	Revenue and Balances	<u>16,203</u>
<b><u>18,585</u></b>		<b><u>25,303</u></b>

The capital expenditure was incurred on HRA assets as follows:

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
18,585	Council dwellings	25,303

The Major Repairs Allowance of £9.1m was used in full in 2011/12 and 2012/13.

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

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

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

No revenue expenditure funded from capital under statute was charged to the Housing Revenue Account in 2012/13 (2011/12 £3k).

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

Capital receipts received during the year in respect of the sale of HRA properties amounted to £1.273m (£0.843m 2011/12). Of this £0.716m (£0.590m 2011/12) was set aside for the repayment of debt and £30k (£18k 2011/12) was used to defray costs.

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

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

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
5,318	Opening balance 1 <sup>st</sup> April	5,553
843	Receipts during the year	1,273
-590	Less set asides	-716
-18	Less other costs	-30
5,553	Available to use	6,080
0	Less applied	0
<b>5,553</b>	<b>Balance available as at 31st March</b>	<b>6,080</b>

Capital receipts were as follows:

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
799	Council Houses	978
16	Land	288
28	Other	7
<b>843</b>		<b>1,273</b>

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

The total charge for depreciation and impairment made to the HRA for 2012/13 amounted to £27.122m (2011/12 £20.409m) and is analysed as follows:-

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
	Depreciation on operational assets	
1,711	- dwellings	1,783
27	- other property	30
	Impairment	
18,582	- dwellings	25,303
	Revaluation Losses	
16	- dwellings	6
73	- other property	0
<b>20,409</b>	<b>Total</b>	<b>27,122</b>



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

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

During 2012/13 the Authority has recognised impairment charges of £25,303k within the HRA Income and Expenditure Statement attributable to non enhancing capital expenditure.

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

Supervision and management costs shown within the income and expenditure account includes a sum of £2.109m (2011/12 £1.746m) which is the cost calculated by the Authority's actuary as being the employers contribution required to meet the current year pension costs of HRA employees. This does not represent a statutory charge to HRA balances and is reversed out and replaced by the actual employers superannuation payments made before the final transfer to/from Housing Revenue Account balances is calculated.

### **8. Reserve Transfer**

#### **Reserve Transfer 2011/12 £335k**

A transfer of £353k was made to General Capital Reserves to set aside funding for work completed but not yet charged to the HRA.

A transfer of £18k was made from the capital receipts reserve to fund the cost of work administering the Right to Buy scheme.

#### **Reserve Transfer 2012/13 £28k**

A transfer of £28k was made from the capital receipts reserve to fund the cost of work administering the Right to Buy scheme.

## **ASSET STRUCTURE**

Major fixed assets held by the Authority at 31st March 2013.

<b>Number 31/03/2012</b>		<b>Number 31/03/2013</b>
	<b>Corporate Building &amp; Property Services</b>	
1	• Heol y Gors Depot	1
1	• Penlan Storage Depot	1
1	• Linden Avenue Depot	1
1	• Criccieth Place Depot	1
1	• Enterprise Park	1
10	• Industrial/Warehousing Sites	10
1	• Civic Centre (Swansea)	1
1	• Civic Centre (Penllergaer)	1
1	• Guildhall	1
1,365	• Residential Freeholds	1,319
1	• St David's Shopping Centre	1
1	• The Quadrant Shopping Centre	1
	<b>Culture &amp; Tourism</b>	
4	• Leisure Centres	4
1	• LC	1
43	• Pavilions/Changing Rooms	43
3	• Sports Centres	3
1	• Blackpill Lido	1
1	• St Helens Ground	1
1	• Tennis Centre	1
1	• Plantasia	1
1	• Botanic Gardens	1
1	• Grand Theatre	1
1	• Brangwyn Hall	1
1	• Dylan Thomas Centre	1
1	• Patti Pavilion	1
78	• Parks & Open Spaces (497 Hectares)	78
970	• Foreshore (hectares)	970
81	• Children's Playgrounds	82
1	• Caravan Parks	1
1	• Tourist Information Centres	1
1	• Stadium	1
1	• Bowls Hall	1
4	• Museums	4
1	• Art Gallery	1
33	• Community Centres	32
10	• Senior Citizen Pavilions	10
1	• Discovery Centre - Brynmill	1

## **ASSET STRUCTURE**

<b>Number 31/03/2012</b>		<b>Number 31/03/2013</b>
1	• Ty Blodau - Botanics	1
1	• Adizone	1
1	• Country Park - Clyne	1
6	• Skateparks	7
16	• Multi Use Games Areas	16
1	• Promenade Fitness Trail	1
4	• Parks Fitness Trails - Parc Llewellyn, Coedbach, Coed Gwilym & Fendrod Lake	4
1	• Oystermouth Castle	1
16	• Allotments	16
3	• BMX Tracks	8
17	• Libraries	17
0	• Watersports Centre	1
1	• Knab Rock Watersports Centre	1
6	• Course Angling Lakes	6
 <b>Education</b>		
77	• Primary/Junior/Infants/Nursery School (excluding Church Schools)	75
14	• Secondary Schools (excluding Church Schools)	13
6	• Special Schools/Referral Units	6
4	• Community Education	3
3	• Residential Activity Centres	3
5	• Youth Clubs	4
1	• Youth Information Service (Info Nation and Canoldre)	2
2	• Family Centres	2
0	• Flying Start Settings (not shared use with school)	7
3	• Other (Closed Former Schools & Educ. Centres)	3
 <b>Housing and Community Regeneration</b>		
13,609	• Council Dwellings	13,590
9	• Area Housing Offices	9
 <b>Marketing Communications &amp; Scrutiny</b>		
1	• Mansion House	1
 <b>Performance and Strategic Planning</b>		
1	• West Cross Bunker	1

# ASSET STRUCTURE

Number 31/03/2012		Number 31/03/2013
<b>Public Protection</b>		
7	• Cemeteries	7
1	• Crematorium	1
5	• Cemetery Lodges/Chapel of Rest	5
1	• Designated New Cemetery (not yet operational)	1
<b>Regeneration &amp; Planning</b>		
1	• Garth Farm	1
1	• Bishopwood Centre	1
6	• Local Nature Reserves	6
1	• Swansea Mobility Hire	1
1	• City Centre Offices	1
1	• Market	1
1	• Business Centre, Swansea	0
<b>Social Services</b>		
11	• Residential & Respite Facilities	10
1	• Residential & Respite Facilities (Vacant)	1
16	• Day & Social Centres/Activities	16
3	• Residential & Day Centres/Activities (combined on same site)	3
10	• Offices/Resource Centres	9
4	• Other major assets	5
<b>Streetscene</b>		
102	• Principal Roads (Kilometres)	102
230	• Other Classified Roads (Kilometres)	230
760	• Other Roads (Kilometres)	766
5	• Refuse Collection – Amenity Sites	5
1	• Landfill Sites	1
2	• Depots	2
<b>Transportation</b>		
60	• Car Parks	61
1	• Marina	1
1	• Barrage	1

# CITY & COUNTY OF SWANSEA PENSION FUND

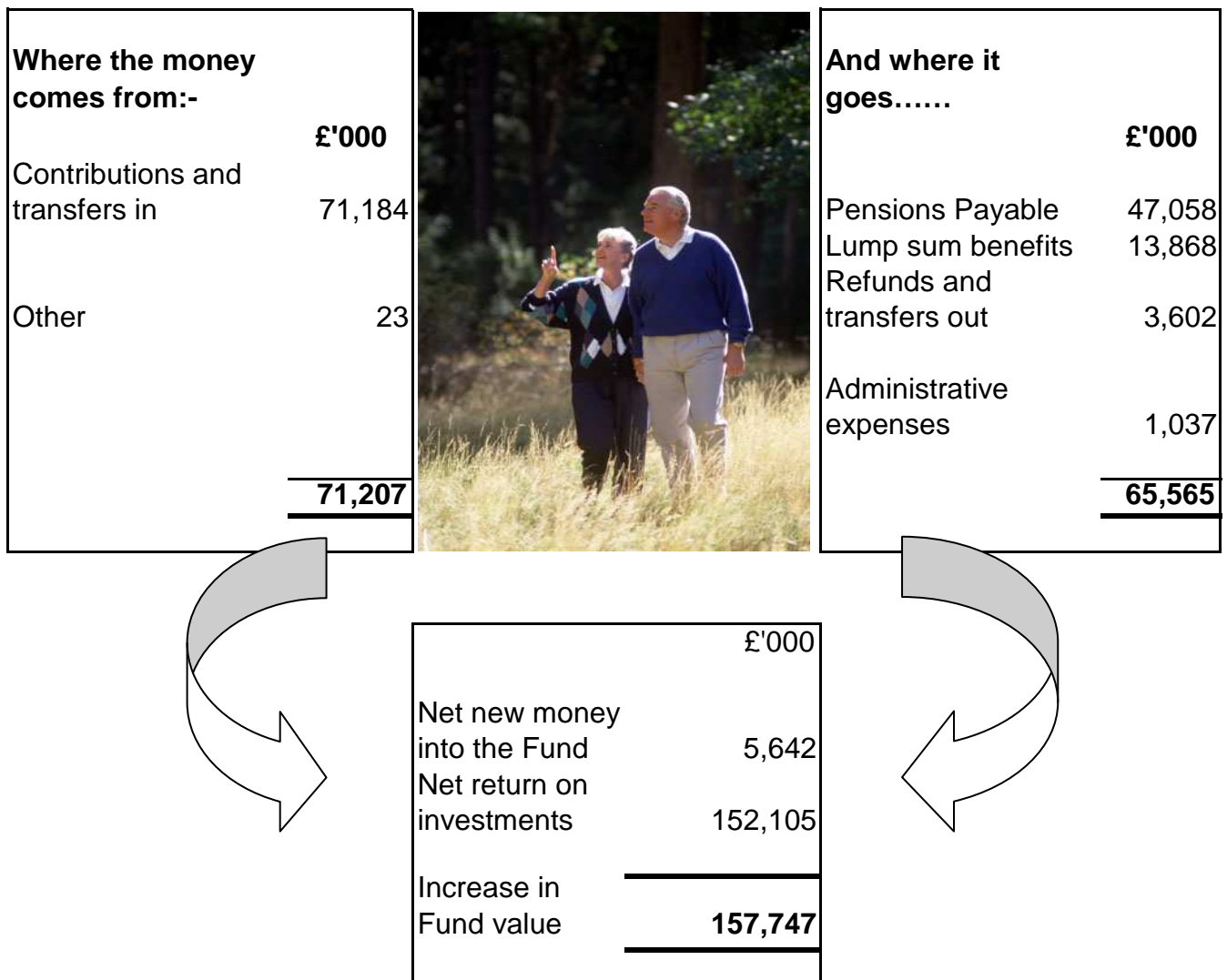
## 1. Introduction

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

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

- The Fund Account which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The Net Assets Statement which gives a snapshot of the financial position of the fund as at 31st March 2013.
- The Notes to The Accounts which are designed to provide further explanation of some of the figures in the statement and to give a further understanding of the nature of the fund.

## 2 Summary of transactions for the year



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

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

I hereby certify that the statement of accounts on pages 141 to 175 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2013.

# CITY & COUNTY OF SWANSEA PENSION FUND

## Fund Account For The Year Ended 31st March

2011/12		2012/13		
£'000	Contributions and benefits	Notes	£'000	£'000
	Contributions receivable :			
51,937	Employers contribution	3	53,937	
15,450	Members contribution	3	15,380	
1,514	Transfers in	4	<u>1,867</u>	71,184
37	Other income	5		<u>23</u>
<u>68,938</u>				<u>71,207</u>
	Benefits payable :			
-43,068	Pensions payable	6	-47,058	
-19,735	Lump sum benefits	6	<u>-13,868</u>	-60,926
	Payments to and on account of leavers :			
-7	Refunds of contributions		-12	
-1,831	Transfers out	7	<u>-3,590</u>	-3,602
-895	Administrative expenses	8		<u>-1,037</u>
<u><b>3,402</b></u>	<b>Net additions from dealing with members</b>			<u><b>5,642</b></u>
	<b>Returns on investments</b>			
18,227	Investment income	9		18,753
-9,104	Change in market value of investments	12		139,791
-3,645	Investment management expenses	8		<u>-6,439</u>
<u><b>5,478</b></u>	<b>Net returns on investments</b>			<u><b>152,105</b></u>
<u><b>8,880</b></u>	<b>Net increase in the fund during the year</b>			<u><b>157,747</b></u>
1,110,972	Opening Net Assets of the Fund			1,119,852
<b>1,119,852</b>	<b>Closing Net Assets of the Fund</b>			<b>1,277,599</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## Net Assets Statement As At 31 March

31st March 2012 £'000	Notes	31st March 2013 £'000
<b>Investments at market value:</b>		
1,058,333 Investment Assets	11	1,240,512
12,577 Cash Funds	12	14,493
26,215 Cash Deposits	12	21,497
<b>1,097,125 Sub Total</b>		<b>1,276,502</b>
27,217 Current Assets	16	7,022
-4,490 Current Liabilities	16	-5,925
<b><u>1,119,852</u> Net assets</b>		<b><u>1,277,599</u></b>

The financial statements on pages 141-175 summarise the transactions of the Fund and deal with the net assets at the disposal of the Investment Panel. The financial statements do not take account of liabilities and other benefits which fall due after the period end. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in Note 18 of this statement, and these accounts should be read in conjunction with this information.

These financial statements replace the financial statements certified on 25th September 2013.



## Notes to the Financial Statements

### 1. Basis of preparation

The financial statements summarise the fund's transactions for the 2012/13 financial year and its position at year-end 31 March 2013. The financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

### 2. Accounting Policies

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

#### (a) Contributions

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

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

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

#### (b) Benefits

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

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

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

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

#### (d) Investments

- i) The net assets statement includes all assets and liabilities of the fund at the 31st March. The financial statements do not take account of liabilities and other benefits which fall due after the period end.

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

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

- ii) Listed investments are included at the bid price of the quoted prices as at 31st March.
- iii) Investments held in quoted pooled investment vehicles are valued at the closing bid price at 31st March if both bid and offer price are published; or, if single priced, at the closing single price.
- iv) Unquoted securities and pooled investment vehicles are valued by the relevant investment managers based on the Fund's share of the net assets or a single price advised by the Fund Manager.
- v) Unit trusts are valued at the Managers' bid prices at 31st March.
- vi) Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income.
- vii) Investment management fees are accounted for on an accruals basis.
- viii) Transaction costs are included in the cost of purchases and sales proceeds.
- ix) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.
- x) Property Funds/Unit Trusts are valued at the bid market price, which is based upon regular independent valuation of the underlying property holdings of the Fund/Unit Trust.

### **e) Financial Instruments**

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

### **f) Cash and Cash Funds**

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

### **g) Investment Income**

Investment income and interest received are accounted for on an accruals basis. When an investment is valued ex dividend, the dividend is included in the Fund account.

### **h) Other**

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

# CITY & COUNTY OF SWANSEA PENSION FUND

## 3. Analysis of Contributions

Total Contributions	Total Contributions
2011/12 £'000	2012/13 £'000
<b><u>Administering Authority</u></b>	
<b>36,404</b> City & County of Swansea	<b>38,514</b>
<b><u>Admitted Bodies</u></b>	
57 Babtie	35
230 Celtic Community Leisure	229
25 Colin Laver Heating Limited	17
20 Swansea Bay Racial Equality Council	20
89 Wales National Pool	83
109 Capgemini	104
1,770 NPT Homes	1,900
24 Phoenix Trust	20
0 Grwp Gwalia	1,109
<b>2,324</b> Total Admitted Bodies	<b>3,517</b>
<b><u>Scheduled Bodies</u></b>	
4 Cilybebyll Community Council	5
26 Coedffranc Community Council	25
1,550 Gower College	1,616
1,176 Neath Port Talbot College	1,234
62 Neath Town Council	66
24,492 Neath Port Talbot County Borough Council	22,982
33 Margam Joint Crematorium Committee	32
12 Pelenna Community Council	7
12 Pontardawe Town Council	13
40 Swansea Bay Port Health Authority	33
85 Swansea City Waste Disposal Company	76
1,167 Swansea Metropolitan University	1,197
<b>28,659</b> Total Scheduled Bodies	<b>27,286</b>
<b>67,387</b> Total Contributions Receivable	<b>69,317</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 3. Analysis of Contributions (continued)

Total Employer/Employee contributions comprise of:

2011/12		2012/13
£'000		£'000
<b>Employers</b>		
49,785	Normal	52,340
1	Other	1
2,151	Early Access	1,596
<u>51,937</u>	<b>Total</b>	<u>53,937</u>
<b>Employees</b>		
15,414	Normal	15,346
36	Other	34
<u>15,450</u>	<b>Total</b>	<u>15,380</u>
<u>67,387</u>	<b>Total Contributions Receivable</b>	<u>69,317</u>

## 4. Transfers In

Transfers in comprise of:

2011/12		2012/13
£'000		£'000
188	Group transfers from other schemes	0
1,326	Individual transfers from other schemes	1,867
<u>1,514</u>	<b>Total</b>	<u>1,867</u>

## 5. Other Income

Other income comprise of:

2011/12		2012/13
£'000		£'000
19	Bank Interest	13
18	Early Access - Interest	10
<u>37</u>	<b>Total</b>	<u>23</u>

## 6. Benefits Payable

By category

2011/12		2012/13
£'000		£'000
43,068	Pensions	47,058
17,837	Commutation and lump sum retirement benefits	11,830
1,898	Lump sum death benefits	2,038
<u>62,803</u>	<b>Total</b>	<u>60,926</u>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 7. Payments to and on account of leavers

Transfers out and refunds comprise of:

2011/12		2012/13
£'000		£'000
7	Refunds to members leaving service	12
1,831	Individual transfers to other schemes	3,590
<b>1,838</b>	<b>Total</b>	<b>3,602</b>

## 8. Administrative and Investment Management Expenses

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

2011/12		2012/13
£'000		£'000
<b>Adminstrative Expenses</b>		
670	Support Services & Employee Costs	661
30	Actuarial Fees	22
39	Advisors Fees	41
29	External Audit Fees	40
22	Performance Monitoring Services Fees	22
23	Printing & Publications	25
61	Other	217
21	Pension Fund Committee	9
<b>895</b>		<b>1,037</b>
<b>Investment Management Expenses</b>		
2,787	Management Fees	3,204
742	Performance Fees	3,120
116	Custody Fees	115
<b>3,645</b>		<b>6,439</b>
<b>4,540</b>	<b>Total</b>	<b>7,476</b>

## 9. Investment Income

2011/12		2012/13
£'000		£'000
9,339	U.K. Equities	8,954
5,559	Overseas Equities	6,041
2,273	Managed Fund - Fixed Interest	2,736
808	Pooled Investment vehicles - Property Fund	842
243	Pooled Investment vehicles - Private Equity	175
5	Interest	5
<b>18,227</b>	<b>Total</b>	<b>18,753</b>

## **9. Investment Income (continued)**

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

## **10. Taxation**

### **a) United Kingdom**

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

### **b) Overseas**

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

# CITY & COUNTY OF SWANSEA PENSION FUND

## 11. Investment Assets

	31st March 2012			31st March 2013		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
<b>Equities</b>						
Quoted	250,972	240,661	491,633	297,494	282,996	580,490
<b>Pooled investment vehicles</b>						
Managed Funds:						
Quoted:						
Equity	0	0	0	0	12,881	12,881
Fixed Interest	0	99,609	99,609	0	109,679	109,679
Unquoted:						
Equity	117,949	149,705	267,654	123,346	183,449	306,795
Fixed Interest	43,613	10,161	53,774	51,886	10,205	62,091
Index-linked	20,552	0	20,552	20,590	0	20,590
Property Unit Trust	13,040	0	13,040	5,296	0	5,296
Property Fund	18,816	12,187	31,003	26,552	29,304	55,856
Hedge Fund	0	42,076	42,076	0	44,891	44,891
Global Tactical Asset Allocation	0	17,600	17,600	0	17,109	17,109
Private Equity	0	21,392	21,392	0	24,834	24,834
<b>Total pooled investment vehicles</b>	<b>213,970</b>	<b>352,730</b>	<b>566,700</b>	<b>227,670</b>	<b>432,352</b>	<b>660,022</b>
<b>Total equities and pooled investment vehicles</b>	<b>464,942</b>	<b>593,391</b>	<b>1,058,333</b>	<b>525,164</b>	<b>715,348</b>	<b>1,240,512</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 11. Investment Assets (continued)

An analysis of investment assets based on the economic exposure to each class of investments is shown below:

<b>31st March 2012</b>		<b>31st March 2013</b>	
<b>£'000</b>	<b>Investment assets</b>	<b>£'000</b>	
153,383	Fixed interest	171,770	
20,552	Index linked securities	20,590	
368,921	U.K. equities	420,840	
44,043	Property	61,152	
42,076	Hedge Funds	44,891	
21,392	Private Equity	24,834	
17,600	Global Tactical Asset Allocation (GTAA)	17,109	
390,366	Overseas Equities	479,326	
<b><u>1,058,333</u></b>	<b>Total investment assets</b>	<b><u>1,240,512</u></b>	



# CITY & COUNTY OF SWANSEA PENSION FUND

## 12. Reconciliation of movements in investments

	Value at 31st March 2012 £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Value at 31st March 2013 £'000
<b>Equities</b>					
Aberdeen	70,870	20,814	-7,517	13,999	98,166
JPM	172,944	162,026	-159,350	26,276	201,896
Schroders	247,819	53,726	-45,092	36,856	293,309
L&G	267,654	21,340	-26,700	44,501	306,795
	<u>759,287</u>	<u>257,906</u>	<u>-238,659</u>	<u>121,632</u>	<u>900,166</u>
<b>Property</b>					
<b>UK</b>					
Schroders	31,856	631	-399	-240	31,848
<b>Overseas</b>					
Partners	7,836	9,019	-1,845	1,787	16,797
Invesco	4,351	8,042	-542	656	12,507
	<u>44,043</u>	<u>17,692</u>	<u>-2,786</u>	<u>2,203</u>	<u>61,152</u>
<b>Fixed Interest</b>					
<b>Fixed Interest</b>					
L&G	53,774	8,320	-2,786	2,783	62,091
Goldman	99,609	2,728	0	7,342	109,679
	<u>153,383</u>	<u>11,048</u>	<u>-2,786</u>	<u>10,125</u>	<u>171,770</u>
<b>Index-Linked</b>					
L&G	20,552	0	-1,937	1,975	20,590
	<u>20,552</u>	<u>0</u>	<u>-1,937</u>	<u>1,975</u>	<u>20,590</u>
<b>Hedge Funds</b>					
BlackRock	22,027	0	-225	1,807	23,609
Fauchier	20,049	0	-251	1,484	21,282
	<u>42,076</u>	<u>0</u>	<u>-476</u>	<u>3,291</u>	<u>44,891</u>
<b>Private Equity</b>					
HarbourVest	21,392	4,956	-2,250	736	24,834
	<u>21,392</u>	<u>4,956</u>	<u>-2,250</u>	<u>736</u>	<u>24,834</u>
<b>Global Tactical Asset Allocation</b>					
BlackRock	17,600	0	-167	-324	17,109
	<u>17,600</u>	<u>0</u>	<u>-167</u>	<u>-324</u>	<u>17,109</u>
<b>Cash funds</b>					
L&G	12,380	4,479	-2,716	153	14,296
Schroders	197	0	0	0	197
	<u>12,577</u>	<u>4,479</u>	<u>-2,716</u>	<u>153</u>	<u>14,493</u>
<b>Total</b>	<u>1,070,910</u>	<u>296,081</u>	<u>-251,777</u>	<u>139,791</u>	<u>1,255,005</u>
<b>Cash</b>	<u>26,215</u>				<u>21,497</u>
<b>TOTAL</b>	<u>1,097,125</u>			<u>139,791</u>	<u>1,276,502</u>

# CITY & COUNTY OF SWANSEA PENSION FUND

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

Transaction costs are included in the cost of purchase and sales proceeds. Identifiable transaction costs incurred in the year relating to segregated investments amounted to £290k (2011/12: £319k). Costs are also incurred by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

## 13. Concentration of Investments

The following investments represented 5% or more of the Fund's net assets at 31st March 2013:

	Value as at the 31st March 2012 £'000	Proportion of Net Asset %	Value as at the 31st March 2013 £'000	Proportion of Net Asset %
L&G UK Equity Index	117,949	10.5	123,346	9.7
Goldman Sachs Global Libor Plus II	99,609	8.9	109,679	8.6
L&G North America Equity Index	56,345	5.0	71,710	5.6

## 14. Realised Profit on the Sale of Investments

2011/12 £'000	2012/13 £'000
-1,532 U.K. Equities	3,429
3,456 Overseas	14,132
193 Property Fund	64
4,724 Fixed Interest	0
2 Cash Fund	0
<b>6,843 Net Profit / Loss (-)</b>	<b>17,625</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 15. Fixed Interest and Index Linked Investments

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

<b>31st March 2012</b>		<b>31st March 2013</b>
<b>£'000</b>		<b>£'000</b>
74,325	UK Public Sector	78,289
99,610	Other	114,071
<u><b>173,935</b></u>		<u><b>192,360</b></u>

## 16. Current Assets and Liabilities

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

<b>31st March 2012</b>		<b>31st March 2013</b>
<b>£'000</b>		<b>£'000</b>
<b>Current Assets</b>		
20,000	City & County of Swansea Loan (Note 9)	0
622	Contributions - Members	616
1,993	Contributions - Employers	2,024
1,697	Dividends Due	1,744
2,905	Other	2,638
<u><b>27,217</b></u>		<u><b>7,022</b></u>
<b>Current Liabilities</b>		
-503	Investment Management Expenses	-1,563
-3,987	Other	-4,362
<u><b>-4,490</b></u>		<u><b>-5,925</b></u>
<u><b>22,727</b></u>	<b>Net</b>	<u><b>1,097</b></u>

Analysed as:

<b>31st March 2012</b>		<b>31st March 2013</b>
<b>£'000</b>		<b>£'000</b>
<b>Current Assets</b>		
370	Central Government Bodies	698
24,574	Other Local Authorities	3,850
2,273	Other Entities and Individuals	2,474
<u><b>27,217</b></u>		<u><b>7,022</b></u>
<b>Current Liabilities</b>		
-1	Central Government Bodies	-2
-784	Other Local Authorities	-1,475
-3,705	Other Entities and Individuals	-4,448
<u><b>-4,490</b></u>		<u><b>-5,925</b></u>
<u><b>22,727</b></u>	<b>Net</b>	<u><b>1,097</b></u>

## CITY & COUNTY OF SWANSEA PENSION FUND

### 16. Current Assets & Liabilities (continued)

#### Early Access Debtor

	Instalment Due 2013/14 £'000	Instalment Due 2014/15 £'000	Instalment Due 2015/16 £'000	Instalment Due 2016/17 £'000	Total £'000
Early Access Principal Debtor	519	159	86	22	786
Early Access Interest Debtor	13	12	7	2	34
<b>Total (Gross)</b>	<b>532</b>	<b>171</b>	<b>93</b>	<b>24</b>	<b>820</b>

### 17. Capital and Contractual Commitments

As at 31st March 2013 the Scheme was committed to providing funding to appointed managers investing in unquoted securities. These commitments amounted to £53.3m (2011/12: £38.1m).

## 18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2013

### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City and County of Swansea Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2010 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

### Actuarial Position

1. The valuation as at 31 March 2010 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £1,016.8M) covering 76% of the liabilities (calculated to be £1,336.0M) allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.
2. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2011 was as set out below:
  - 14.6% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

**Plus**

  - 5.9% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 25 years from 1 April 2011, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 5.3% p.a.
3. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority. The contribution rates for some employers were set to reflect expected pay levels over the next 3 years while others were expressed as monetary amounts increasing at 5.3% per annum. This ensured deficiency payments were broadly in line with the contribution pattern above. In addition the Administering Authority agreed that increases in contribution requirements could be phased in for some employers over periods of up to 3 years. The estimated resulting aggregate deficiency contributions are £14.8M in 2011/12, £17.2M in 2012/13 and £18.1M in 2013/14 increasing broadly by 5.3% per annum thereafter.
4. The rates of contributions payable by each participating Employer over the period 1 April 2011 to 31 March 2014 are set out in a certificate dated 30th March 2011 which is appended to our report of the same date on the actuarial valuation.
5. The contribution rates were calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

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

### **18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2013 (continued)**

6. The main actuarial assumptions were as follows:

#### Discount rate

Scheduled Bodies	6.9% a year
Admitted Bodies:	
In service:	6.25% a year
Left service:	4.75% a year
Rate of general pay increases	5.3% a year
Rate of increases to pensions in payment (in excess of GMPs)	3.3% a year
Valuation of assets	market value

Assumptions for some Admission Bodies were based on the assumptions used for Scheduled Bodies if sufficient guarantees were provided by another body in the Fund. Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

7. Contribution rates for all employers will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013.

8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the City and County of Swansea. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2010. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This statement must not be considered without reference to the formal actuarial valuation report (which is available on request) which details fully the context and limitations of the actuarial valuation.

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

Aon Hewitt Limited  
July 2012

### **Certificate of the Actuary Regarding the Contributions Payable by the Employing Authorities in 2012/13**

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (the "Administration Regulations"), we certify that contributions should be paid by Employers at the following rates for the period 1st April 2011 to 31st March 2014.

i) A common rate of 14.6% of Pensionable Pay.

ii) Individual adjustments which, when added to or subtracted from the common rate, produce the following Employer contribution rates:

## CITY & COUNTY OF SWANSEA PENSION FUND

### 18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2013 (continued)

<b>Employer</b>				
		<b>2011</b>	<b>2012</b>	<b>2013</b>
		% Pensionable Pay	% Pensionable Pay	% Pensionable Pay
<b>Administering Authority</b>				
City and County of Swansea		20.5	22.1	22.4
<b>Scheduled Bodies</b>				
Neath Port Talbot County Borough Council		21.5	21.9	22.0
	<b>Contribution Rate 1 April 2011 to 31 March 2014 % Pay</b>	<b>Additional Monetary Amount Year Commencing 1 April</b>		
		<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Scheduled Bodies</b>		<b>£</b>	<b>£</b>	<b>£</b>
Coedffranc Community Council	19.1	11,000	11,600	12,200
Margam Joint Crematorium Committee	19.1	11,000	11,600	12,200
Neath Town Council	19.1	14,000	14,700	15,500
Swansea Bay Port Health Authority	19.1	15,000	15,800	16,600
Neath Port Talbot College	13.9	175,000	184,000	194,000
Swansea Metropolitan University	14.4	275,000	290,000	305,000
Gower College	14.1	206,000	217,000	228,000
Swansea City Waste Disposal Company	18.3	29,000	30,700	32,300
Pontardawe Town Council	19.3	220	230	240
Cilybeyll Community Council	20.5	-	-	-
Pelenna Community Council	17.1	360	380	400
<b>Admitted Bodies</b>				
Colin Laver Heating Limited	19.7	-	-	-
Swansea Bay Racial Equality Council	23.7	2,300	2,400	2,600
Babtie Group	14.6	-	-	-
Celtic Community Leisure	11.1	-	-	-
Wales National Pool	14.5	-	-	-
Capgemini	18.7	-	-	-
Phoenix Trust	13.9	-	-	-
NPT Homes	15.1	-	-	-

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

In addition, any extra liabilities falling on the Fund in respect of retirements under Regulation 18,19 or 30 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2008 (the "Benefits Regulations") should be financed by additional Employer contributions, calculated in a manner advised by the Actuary and payable over a period of 3 years.

In addition, any additional benefits granted under Benefits Regulation 12 or 13 should be financed by additional Employer contributions, under Administration Regulation 40 or as calculated in a manner advised by the actuary.

Additional contributions may be payable by any Admission Bodies which have ceased to participate in the fund since 31 March 2010 and will be certified separately.

Contribution rates for Employers commencing participation in the Fund after 31 March 2010 will be advised separately.

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

### **18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2013 (continued)**

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

### **19. Related party transactions**

£661k (£658k 2011/12) was paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Legal Services during the year.

Contributions received from admitted and scheduled bodies as detailed on page 147.

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

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

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

On 31st March 2012 the banking arrangements for both the Authority and the Pension Fund changed in that a new banking contract with Lloyds TSB Bank Plc came into force. At that time, and in order to facilitate the transfer of balances from the previous bank, a deposit of £20m was made from the Pension Fund Account into the Council's Treasury Management Account. This has subsequently been repaid along with the appropriate interest. The Appointed Auditor has received legal advice that the transaction was contrary to the relevant Pension Fund regulations and was, therefore, unlawful.

During 2012/13 the whole of this sum was repaid to the Pension Fund.

Separately, the Council previously believed that it held pooled investments between the Council and the Pension Fund, but the Appointed Auditor has received legal advice that the Council's operating practice did not in fact constitute pooled investments and that its sharing of the investment income with the Pension Fund - to the amount of £325,678, since April 2011 - was in fact unlawful. This amount has subsequently been repaid to the Council by the Pension Fund.

During 2012/13 arrangements to separate and disaggregate all investment activities of the Council and the Pension Fund were implemented to ensure compliance and legislation.

### **Governance**

There are 5 councillor members and 2 officers of the pension panel who are active members in the City & County of Swansea Pension Fund. The benefit entitlement for the Councillors and Officers is accrued under the same principals that apply to all other members of the Fund.



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

### **20. Legislative Changes in the Local Government Pension Scheme (LGPS)**

The Communities and Local Government Department (CLG) issued Statutory 2012 No. 1989 which introduced the following provisions to the LGPS with effect from 1st October 2012 :

- commenced the requirements to ensure compliance with the duties for automatic enrolment in a workplace pension introduced by the Pensions Act 2008 and its associated secondary legislation.
- provided for employees with employment contracts of less than 3 months to elect to join the scheme if they so wish.
- where a member's annual allowance is exceeded, allowed for the tax charge to be met by the Pension Fund at the member's request. However, the fund must subsequently reduce the value of the member's accrued rights in accordance with guidance issued by the Secretary of State.
- amended the date that Annual Benefit Statements must be issued to no later than 6 months after the end of the tax year to which they relate, in accordance with the Finance Act 2004 (as amended by the Finance Act 2011).
- amended the previous regulations to provide that an election to pay additional survivor benefits must be made within 12 months of making a declaration to nominate a cohabiting partner for survivor benefits.
- provided for elected police and crime commissioners to become members of the Scheme.

#### **LGPS 2014**

21st December 2012 - consultation issued on the provisions relating to membership contributions and benefits which come into force in April 2014. The main provisions being :

Basis of Pension - Career Average Revalued Earnings (CARE)

Accrual Rate - 1/49<sup>th</sup>

Revaluation Rate - Consumer Price Index (CPI)

Normal Pension Age - Equal to individual member's State Pension Age.

**20. Legislative Changes in the Local Government Pension Scheme (LGPS) (continued)**

Employees Contribution Rate - Increase for earners above £34,000.

Definition of Pensionable Pay - to include non-contractual overtime.

Contribution Flexibility - option to pay 50% contributions for 50% of pension benefits.

3rd April 2013 - a second period of consultation issued on the next key stages in the development of the new LGPS and also on the transitional provisions for existing members.

## **21. Investment Fund Management**

The investment of the Fund is the responsibility of the Pension Panel. The Panel as at 31st March 2013 comprised of :

- 5 Council Members (one member from Neath Port Talbot CBC representing other scheme members).
- Section 151 Officer
- Chief Treasury & Technical Officer
- 2 Independent Advisers.

The Panel, after taking account of the views of the independent advisers and appointed actuary to the Fund, is responsible for determining broad investment strategy and policy, with appointed professional fund managers undertaking the operational management of the assets.

The fund has implemented a fully diversified investment approach with a view to reducing the volatility of investment returns, whilst maintaining above benchmark growth. The fund employs the services of specialist managers to outperform in each asset class invested in.

The investment managers are:

- Global Equities - JP Morgan Asset Management and Aberdeen Asset Management
- Global Bonds - Goldman Sachs Asset Management
- Fund of Hedge Funds - BlackRock and Fauchier Partners
- Fund of Private Equity Funds - Harbourvest
- Property - Invesco
- Fund of Property Funds - Partners Group and Schroders Investment Management
- Global Tactical Asset Allocation (GTAA) - BlackRock (ex BGI)

# CITY & COUNTY OF SWANSEA PENSION FUND

## 22. Other Fund Documents

The City & County of Swansea Pension Fund is required by regulation to formulate a number of regulatory documents outlining its policy. Copies of the :

- Statement of Investment Principles
- Governance Statement
- Funding Strategy Statement
- Communication Policy

are available on request from the City & County of Swansea Pension Fund website

<http://www.swanseapensionfund.org.uk/>

## 23. Additional Voluntary Contributions

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

The pension fund accounts do not include the assets held by The Prudential, Equitable Life or Aegon Scottish Equitable, which were valued at £2,644k (£2,058k 2011/12) in Prudential, £400k (£410k 2011/12) in Equitable Life and £1,535k (£1,577k 2011/12) in Aegon Scottish Equitable. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only.

AVC Provider	Value of Funds at 1st April 2012	Contributions In/Out	Purchases at Cost	Sale Proceeds	Change in Market Value	Funds at 31st March 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Prudential	2,058	1,183	1,200	-681	67	2,644
Aegon Scottish Equitable	1,577	64	64	-227	121	1,535
Equitable Life	410	2	2	-32	20	400
<b>Totals</b>	<b>4,045</b>	<b>1,249</b>	<b>1,266</b>	<b>-940</b>	<b>208</b>	<b>4,579</b>

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

### **23. Additional Voluntary Contributions (continued)**

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

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2013 there were 14,586 contributors, 10,432 pensioners and 8,815 deferred pensioners.

<b>Membership statistics</b>	<b>31st March 2009 Number</b>	<b>31st March 2010 Number</b>	<b>31st March 2011 Number</b>	<b>31st March 2012 Number</b>	<b>31st March 2013 Number</b>
Contributors	15,274	14,744	14,524	14,179	14,586
Pensioners	9,105	9,302	9,600	10,027	10,432
Deferred Pensioners	6,409	7,248	7,614	8,204	8,815
<b>Total</b>	<b>30,788</b>	<b>31,294</b>	<b>31,738</b>	<b>32,410</b>	<b>33,833</b>

### **24. Fair Value of Investments**

#### **Financial Instruments**

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

#### **Financial Instruments - Gains & Losses**

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

#### **Fair Value – Hierarchy**

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

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

The following table shows the position of the Fund's assets at 31st March 2013 based upon this hierarchy:

# CITY & COUNTY OF SWANSEA PENSION FUND

## 24. Fair Value of Investments (continued)

	Market Value £'000	31 March 2012			31 March 2013		
		Level 1 £'000	Level 2 £'000	Level 3 £'000	Market Value £'000	Level 1 £'000	Level 2 £'000
<b>Equities</b>							
UK Equities	250,972	250,972	-	-	297,494	297,494	-
Overseas Equities	240,661	240,661	-	-	282,996	282,996	-
<b>Pooled Investment Vehicles</b>							
Fixed-Interest Funds	99,609	-	99,609	-	109,679	109,679	-
UK Equity	117,949	-	117,949	-	123,346	123,346	-
Overseas Equity	149,705	-	149,705	-	196,330	196,330	-
Fixed Interest	53,774	-	53,774	-	62,091	62,091	-
Index-linked	20,552	-	20,552	-	20,590	20,590	-
Property Unit Trust	13,040	-	13,040	-	5,296	5,296	-
Property Fund	31,003	-	18,816	12,187	55,856	26,552	29,304
Hedge Fund	42,076	-	-	42,076	44,891	-	44,891
Global Tactical Asset Allocation	17,600	-	-	17,600	17,109	-	17,109
Private Equity	21,392	-	-	21,392	24,834	-	24,834
Cash	38,792	38,792	-	-	35,990	-	-
<b>Total</b>	<b>1,097,125</b>	<b>530,425</b>	<b>473,445</b>	<b>93,255</b>	<b>1,276,502</b>	<b>616,480</b>	<b>116,138</b>

## 25. INVESTMENT RISKS

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

### Procedures for Managing Risk

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

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

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

### Manager Risk

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

# CITY & COUNTY OF SWANSEA PENSION FUND

## 25. INVESTMENT RISKS (continued)

### Credit Risk

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

There has been no historical experience of default on the investments held by the pension fund.

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

- The Fund's active fixed-interest bond portfolio £109,679k is managed (by Goldman Sachs) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2013, the Fund's exposure to non-investment grade paper was 2.1% of the actively managed fixed income portfolio.
- On private equity the Fund's investments are almost entirely in the equity of the companies concerned. The Fund's private equity investments of £24,834K are managed by Harbourvest in a fund of funds portfolio.

On hedge fund of funds and multi-strategy vehicles, underlying managers have in place a broad range of derivatives. The Fund's exposure to hedge funds through its managers at 31st March 2013 is set out below with their relative exposure to credit risk.

	<b>March 2013</b> <b>£'000</b>	<b>Credit Exposure</b>
Fauchier Partners	21,282	16.4%
Blackrock	23,609	21.9%

### Liquidity Risk

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



# CITY & COUNTY OF SWANSEA PENSION FUND

## 25. INVESTMENT RISKS (continued)

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

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 83% of the Fund's value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at least – often weekly or fortnightly.

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

The table below analyses the value of the Fund's investments at 31st March 2013 by liquidity profile.

	Amounts at				
	31st March 2013 £000s	1 month £000s	2-3 months £000s	6-12 months £000s	closed £000s
<b>Equities</b>					
UK Equities	297,494	297,494	0	0	0
Overseas Equities	282,996	282,996	0	0	0
<b>Pooled Investment Vehicles</b>					
Fixed-Interest Funds	109,679	109,679	0	0	0
UK Equity	123,346	123,346	0	0	0
Overseas Equity	196,330	196,330	0	0	0
Fixed Interest	62,091	62,091	0	0	0
Index-linked	20,590	20,590	0	0	0
Property Unit Trust	5,296	0	0	5,296	0
Property Fund	55,856	0	0	26,552	29,304
Hedge Fund	44,891	0	0	44,891	0
Global Tactical Asset Allocation	17,109	0	0	17,109	0
Private Equity	24,834	0	0	0	24,834
Deposits with banks and other financial institutions	35,990	35,990	0	0	0
<b>Total</b>	<b>1,276,502</b>	<b>1,128,516</b>	<b>0</b>	<b>93,848</b>	<b>54,138</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 25. INVESTMENT RISKS (continued)

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses some pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach has been applied and all such investments have been designated "within 6-12 months".

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

This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation. As can be seen from the table, even using the conservative basis outlined above, around 88% of the portfolio is realisable within 1 month and 96% is realisable within 12 months.

### Market Risk

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

Market risk is comprised of two elements –

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

The table below sets out an analysis of the Fund's market risk positions at 31 March 2013 by showing the amount invested in each asset class and through each manager within each main asset class, the index used as a benchmark and the target set for managers against this benchmark.

## CITY & COUNTY OF SWANSEA PENSION FUND

### 25. INVESTMENT RISKS (continued)

Asset Class	Asset Allocation	Fund Manager		Benchmark	Performance target
		Passive	Active		
UK Equities	34% +/- 5%	14% L&G	20% Schroders	FTSE allshare	+3% p.a. over rolling 3year
Overseas Equities	34% +/- 5%	13% L&G	21% JP Morgan & Aberdeen Aberdeen	MSCI World all share (ex UK) MSCI Frontier Markets Index	+3% p.a. over rolling 3year +% p.a. over rolling 3year
Global Fixed Interest	15% +/- 5%	6% L&G	9% Goldman Sachs	Composite benchmark Standard Barclays Capital Aggregate	LIBOR +3% Barclays Capital Aggregate +0.75% over rolling 3year
Property	5% +/- 5%	-	5% Schroders, Partners & Invesco	IPD UK Pooled Property Fund Index	+ 1% p.a. over rolling 3 year, 8% absolute return
Hedge Funds	5% +/- 5%	-	5% Blackrock & Fauchier Partners	LIBOR	+4%
Private Equity	3% +/- 5%	-	3% Harbourvest	FTSE allshare	+3% p.a. over 3 year rolling
Global Tactical Asset Allocation	2% +/- 5%	-	2% BGI/Blackrock	LIBOR	+4%
Cash	2% +/- 5%	-	2% In house and cash flows of fund managers	7day LIBID	7day LIBID
<b>TOTAL</b>	100%	33%	67%		

The risks associated with volatility in market values are managed mainly through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's SIP summarised above) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation, is designed to diversify and minimise risk through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class.

Market risk is also managed through manager diversification – constructing a diversified portfolio across multiple investment managers. On a daily basis, managers will manage risk in line with the benchmarks, targets and risk parameters set for the mandate, as well as their own policies and processes. The Fund itself monitors managers on a regular basis (at least quarterly) on all these aspects.

#### Price Risk

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

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 25. INVESTMENT RISKS (continued)

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

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible. Had the market price of the fund investments increased/decreased in line with the potential market movements, the change in the net assets available to pay benefits in the market price as at 31 March 2013 would have been as follows:

### Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	420,840	13.4%	477,148	364,532
Overseas Equities	479,326	13.1%	542,022	416,630
Total Bonds & Index Lin	192,360	2.6%	197,342	187,378
Cash	35,990	0.0%	35,994	35,986
Property	61,152	3.0%	63,011	59,293
Alternatives	86,834	3.3%	89,726	83,942
<b>Total Assets</b>	<b>1,276,502</b>	<b>8.8%</b>	<b>1,388,324</b>	<b>1,164,680</b>

and as at 31 March 2012:

### Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	368,921	15.68%	426,768	311,074
Overseas Equities	390,366	15.80%	452,044	328,688
Total Bonds & Index Linked	173,935	3.16%	179,431	168,439
Cash	38,792	0.02%	38,800	38,784
Property	44,043	5.83%	46,611	41,475
Alternatives	81,068	3.41%	83,832	78,304
<b>Total Assets</b>	<b>1,097,125</b>		<b>1,227,486</b>	<b>966,764</b>

# CITY & COUNTY OF SWANSEA PENSION FUND

## 25. INVESTMENT RISKS (continued)

### Currency Risk

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

In consultation with the fund's investment advisors, the council has determined that the following movements in currencies are reasonably possible. The following represents a sensitivity analysis associated with foreign exchange movements as at 31 March 2013:

#### Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	4,631	10.0%	5,092	4,170
Brazilian Real	8,367	11.6%	9,339	7,395
Canadian Dollar	7,687	5.6%	8,118	7,256
Danish Krone	423	7.7%	456	390
EURO	71,274	7.8%	76,833	65,715
Hong Kong Dollar	7,197	8.5%	7,812	6,582
Indian Rupee	3,589	9.3%	3,922	3,256
Indonesian Rupiah	1,739	7.1%	1,862	1,616
Japanese Yen	38,999	11.8%	43,589	34,409
Mexican Peso	3,466	9.3%	3,788	3,144
Norwegian Krone	504	9.0%	550	458
Singapore Dollar	3,383	5.8%	3,579	3,187
South African Rand	1,577	12.0%	1,765	1,389
South Korean Won	6,397	7.6%	6,880	5,914
Swedish Krona	5,079	8.1%	5,492	4,666
Swiss Franc	25,052	9.4%	27,397	22,707
Taiwan Dollar	4,725	7.2%	5,063	4,387
Thai Baht	485	7.9%	523	447
Turkish Lira	1,787	8.8%	1,944	1,630
US Dollar	148,583	8.7%	161,569	135,597
Other	10,246	5.3%	10,789	9,703
North America Basket	71,710	8.3%	77,662	65,758
Europe ex UK Basket	43,392	7.2%	46,503	40,281
Asia Pacific ex Japan Basket	20,151	6.3%	21,423	18,879
Emerging Basket	43,021	6.4%	45,787	40,255
<b>Total Currency</b>	<b>533,464</b>	<b>5.2%</b>	<b>561,462</b>	<b>505,466</b>

*The % change for Total Currency includes the impact of correlation across the underlying currencies*

# CITY & COUNTY OF SWANSEA PENSION FUND

## 25. INVESTMENT RISKS (continued)

and as at 31 March 2012:

### Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	5,402	10.5%	5,968	4,835
Brazilian Real	9,918	12.8%	11,191	8,645
Canadian Dollar	6,184	9.6%	6,779	5,588
EURO	47,288	8.4%	51,241	43,334
Hong Kong Dollar	7,450	9.6%	8,165	6,735
Indian Rupee	2,012	9.3%	2,200	1,825
Indonesian Rupiah	1,156	9.0%	1,260	1,052
Israeli Shekel	777	8.6%	844	710
Japanese Yen	33,375	13.3%	37,812	28,939
Mexican Peso	2,694	8.9%	2,933	2,454
Singapore Dollar	2,986	7.5%	3,209	2,762
South African Rand	2,071	13.6%	2,353	1,790
South Korean Won	6,078	10.3%	6,702	5,454
Swedish Krona	3,935	10.2%	4,338	3,533
Swiss Franc	15,826	10.2%	17,448	14,204
Taiwan Dollar	4,835	9.0%	5,269	4,401
Thai Baht	1,109	8.9%	1,208	1,010
Turkish Lira	985	9.7%	1,081	889
US Dollar	120,282	9.8%	132,013	108,552
Other Currencies	8,465	7.3%	9,083	7,847
Global ex UK Basket	10,161	7.1%	10,888	9,435
North America Basket	56,345	9.2%	61,555	51,135
Europe ex UK Basket	42,190	7.8%	45,490	38,890
Asia Pacific ex Japan Basket	18,355	7.2%	19,674	17,036
Emerging Basket	15,327	7.9%	16,537	14,118
<b>Total</b>	<b>425,206</b>	<b>7.3%</b>	<b>465,241</b>	<b>385,173</b>

## 26. Further Information

Further details and the audited statement of accounts are contained in the City & County of Swansea Pension Fund Annual Report and Accounts for the year ended 31st March 2013, available from the Chief Treasury & Technical Officer, Civic Centre, Oystermouth Road, Swansea SA1 3SN.

## 27. Financial Position

The accounts outlined within the statement represent the financial position of the City and County of Swansea Pension Fund at 31st March 2013.

# CITY & COUNTY OF SWANSEA PENSION FUND

## Appendix 1

### SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES AS AT 31 MARCH 2013

	Contributors	Pensioners	Deferred Benefits	Pensionable Pay (plus additional monetary amount)
<b>Administering Authority</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	
City & County of Swansea	7,635	4,219	3,943	22.1%
<b>Scheduled Bodies</b>				
Neath Port Talbot County Borough Council	5,103	2,853	3,565	21.9%
Briton Ferry Town Council	0	1	1	-
Cilybebyll Community Council	3	0	1	20.5%
Clydach Community Council	0	0	1	-
Coedffranc Community Council	2	3	1	19.1% (+ £11,600)
Gower College	377	169	354	14.1% (+ £217,000)
Lliw Valley BC	0	266	33	-
Margam Joint Crematorium Committee	3	13	4	19.1% (+ £11,600)
Neath Port Talbot College	322	108	174	13.9% (+ £184,000)
Neath Port Talbot Waste Management Co.	0	1	0	-
Neath Town Council	14	9	6	19.1% (+ £14,700)
Pelenna Community Council	5	1	0	17.1% (+ £380)
Pontardawe Town Council	5	1	0	19.3% (+ £230)
Swansea Bay Port Health Authority	2	8	3	19.1% (+ £15,800)
Swansea City Waste Disposal Company	9	18	3	18.3% (+ £30,700)
Swansea Metropolitan University	274	99	147	14.4% (+ £290,000)
West Glamorgan County Council	0	2,490	367	-
West Glamorgan Magistrates Courts	0	39	19	-
West Glamorgan Probation Service	0	59	9	-
West Glamorgan Valuation Panel	0	5	0	-
<b>Admitted Bodies</b>				
BABTIE	5	3	6	14.6%
Celtic Community Leisure	101	26	106	11.1%
Colin Laver Heating Limited	2	0	2	19.7%
Swansea Bay Racial Equality Council	2	0	1	23.7% (+ £2,400)
The Careers Business	0	3	12	-
Wales National Pool	41	3	33	14.5%
West Wales Arts Association	0	2	0	-
Capgemini	15	0	3	18.7%
NPT Homes	399	24	16	15.1%
Phoenix Trust	1	1	3	13.9%
Grwp Gwalia	266	8	2	
<b>Total</b>	<b>14,586</b>	<b>10,432</b>	<b>8,815</b>	

# GROUP ACCOUNTS

## Introduction

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

2. The CIPFA Code of Practice on Local Authority Accounting 2012/13 requires that Group Accounting Statements have to be prepared, consolidating the accounts of the parent and any subsidiary, associate or joint undertakings. An assessment of the activities and interests of City and County of Swansea has been undertaken, which has determined that City and County of Swansea Group consists of the local authority as the parent, and the following companies:

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

3. The nature of the Authority's interest in these companies and the basis for the estimation of the degree of control the Authority holds is detailed below:-

### **- Swansea City Waste Disposal Company Limited - Subsidiary**

The Company is a wholly owned subsidiary of the Authority who own the total issued share capital of the Company comprising 4,879,000 ordinary shares of £1.

The activities of the Company involve the management of the baling plant, civic amenity sites and the central land disposal site at Tir John and the management of significant waste disposal contract payments for the disposal of waste at sites in Merthyr and Haverfordwest in South Wales.

The nature of the Company's activities is such that net worth (and hence the value of the Authority's shareholding) will diminish substantially over time, due to the commercial value of the landfill site diminishing as its capacity to accept waste comes to an end.

The effect of this is that the Authority's investment value in the company would be reduced if it was not already held at zero.

The net liabilities of Swansea City Waste Disposal Company Limited as at 31st March 2013 are £4.323m (31st March 2012 £11.098m).

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

### **- 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.

Under the constitution of the Company, the Authority has appointed three directors to the Board of the Company, three further directors have been appointed by the University of Wales (Swansea) with one further appointed independent director.



## **GROUP ACCOUNTS**

The City and County of Swansea was responsible for the construction of the pool complex, with the bulk of funding being supplied by the National Lottery Sports Foundation. The pool has been constructed on land owned by the University of Wales, Swansea. 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 net assets of Wales National Pool (Swansea) Limited at 31st March 2013 are zero (2012 zero).

### **- National Waterfront Museum Swansea (NWMS) - Joint Venture**

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

The purpose of the Company was to develop the National Industrial and Maritime Museum at Swansea which opened in Spring 2006. The Company derived 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 2002/03, 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. This lease constitutes the Authority’s commitment to the scheme.

The completed museum has been leased to the National Museums and Galleries of Wales at a peppercorn rent by the Company.

The net assets of the National Waterfront Museum Swansea at 31st March 2013 are £19,304,747 (2012 £19,461,615).

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

In March 2005, the City and County of Swansea purchased shares to the value of £50,000 in Swansea Stadium Management Company Limited, a company formed to operationally run the Liberty Stadium in Swansea. The stadium is a circa- 20,000 seat stadium, and is the home to Swansea City AFC Limited and Ospreys Rugby Limited.

The stadium also has a number of banqueting and hospitality suites which can also be used for activities outside of sporting events.

The stadium was constructed by the City and County of Swansea, and is leased to SSMC on a 50 year lease. The shareholding represents a one-third holding in the company with the other shares held by the above organisations equally.

## **GROUP ACCOUNTS**

The constitution of the Company is such that although all shareholders have an equal vote in operational issues, for matters deemed of a significant nature the City and County of Swansea may veto any decisions made by the Board, including the appointment of senior officers and the commissioning of events to be held at the stadium.

Although the Authority is able to share in any surplus the Company may make on trading operations, it is indemnified from contributing to any loss under a specific supplementary Joint Venture Agreement made with the remaining shareholders during 2006. On the basis that the Company has been loss making during 2011/12 and the profit is immaterial in 2012/13 the company's results have not been consolidated into the Group Accounts.

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

This is a company limited by guarantee which has been established as a non profit making trust in order to undertake the day-to-day management of the “LC”, which is a purpose built leisure complex in Swansea.

The LC was officially opened on 18<sup>th</sup> March 2008.

The Authority's interest in the company is limited to a guarantee of £1 together with the appointment of two directors out of eleven who make up the Board.

The Authority is obliged to consider funding requests from the Company on an annual basis and will commit each financial year to making payment in respect of an agreed management fee which is negotiated annually. No consolidation of the Company's results have been undertaken in 2011/12 or 2012/13 due to the immateriality of the Company's results.

The net assets of Bay Leisure Limited at 31st March 2013 is £372,262 (2012 £27,887).

### **- Swansea Bay Futures Limited**

The company's principal activity is promoting Swansea and the surrounding region as a place, to live, study, work, invest in and visit. It aims to increase awareness of what the area has to offer and how it is changing and developing thereby challenging erroneous perceptions that exist and creating a positive impression of the area across the UK and internationally.

The expenditure incurred by the company in the year has been funded by a grant from the City and County of Swansea and income from Premier Partner, Partner and Ambassador agreements with businesses and organisations committed to seeing the area grow and prosper. The company operates on a not for profit basis.

Funding for the Company has ceased from 1st April 2011 onwards.

### **- Swansea City Development Company Limited**

The Swansea City Development Company Limited does not form part of the Group Accounts of the Authority on the basis that:

- a) There have been no transactions by the Company during the year; and
- b) The Authority holds no balances in respect of the Company.

## **GROUP ACCOUNTS**

This is a company limited by guarantee originally set up by the predecessor Swansea City Council. The Company has not traded for a number of years.

The Company was dissolved on 14th February 2012.

#### **4. The core Group Accounts for 2012/2013 consists of:-**

- **The Group Movement In Reserves Statement** which shows the movement on the different reserves held by the Group.
- **The Group Income and Expenditure Statement** which records the income and expenditure on the Group's activities.
- **The Group Balance Sheet** which sets out all the assets and liabilities of the Group and the reserves and liabilities that underlay those net assets.
- **The Group Cash Flow Statement** which summarises the inflows and outflows of cash and cash equivalents arising from transactions with parties external to the Group.

#### **5. Accounting Policies and Notes to the Accounting Statements**

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. Applicable Accounting Policies are outlined in Note 1 in the Notes to the Group Financial Statements.

#### **6. Intra-group transactions and balances**

Where necessary, transactions between the various Group members have been eliminated from the Group Income and Expenditure figures so as not to overstate these figures in the Group Income and Expenditure Statement. Similarly, balances owed between the Group members have been eliminated to the extent that they exist as at 31st March 2013.

#### **7. Effect of IAS 19 Pension Liabilities on Group Reserves.**

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 requirement of IAS 19 in relation to Local Authority Accounts allows the creation of a debit reserve (the Pension Reserve) which effectively offsets the liabilities that have been created by the calculated deficit in relation to the pension fund as at 31st March 2013.

## **GROUP MOVEMENT IN RESERVES STATEMENT**

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

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

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

## GROUP MOVEMENT IN RESERVES STATEMENT

2011/12	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 2011</b>	<b>6,135</b>	<b>50,119</b>	<b>15,438</b>	<b>16,928</b>	<b>14,051</b>	<b>102,671</b>	<b>225,636</b>	<b>328,307</b>	<b>-584</b>	<b>327,723</b>
<b>Movement in reserves during 2011/12</b>										
Surplus or (deficit) on the provision of services	-32,104	0	-116	0	0	-32,220	0	-32,220	-330	-32,550
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	-126,517	-126,517	-453	-126,970
<b>Total Comprehensive Income and Expenditure</b>	<b>-32,104</b>	<b>0</b>	<b>-116</b>	<b>0</b>	<b>0</b>	<b>-32,220</b>	<b>-126,517</b>	<b>-158,737</b>	<b>-783</b>	<b>-159,520</b>
Adjustments between accounting basis & funding basis under regulations	35,862	0	1,071	-3,741	5,900	39,362	-39,362	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>3,758</b>	<b>0</b>	<b>955</b>	<b>-3,471</b>	<b>5,900</b>	<b>7,142</b>	<b>-165,879</b>	<b>-158,737</b>	<b>-783</b>	<b>-159,520</b>
Transfers to Earmarked Reserves	-3,616	4,319	-335	-368	0	0	0	0	0	0
<b>Decrease/Increase in 2011/12</b>	<b>142</b>	<b>4,319</b>	<b>620</b>	<b>-3,839</b>	<b>5,900</b>	<b>7,142</b>	<b>-165,879</b>	<b>-158,737</b>	<b>-783</b>	<b>-159,520</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>6,277</b>	<b>54,438</b>	<b>16,058</b>	<b>13,089</b>	<b>19,951</b>	<b>109,813</b>	<b>59,757</b>	<b>169,570</b>	<b>-1,367</b>	<b>168,203</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

2012/13	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 2012 brought forward</b>	<b>6,277</b>	<b>54,438</b>	<b>16,058</b>	<b>13,089</b>	<b>19,951</b>	<b>109,813</b>	<b>59,757</b>	<b>169,570</b>	<b>-1,367</b>	<b>168,203</b>
Movement in reserves during 2012/13										
Deficit on the provision of services	-13,516	0	-4,063	0	0	-17,579	0	-17,579	6,697	-10,882
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	8,172	8,172	0	8,172
<b>Total Comprehensive Income and Expenditure</b>	<b>-13,516</b>	<b>0</b>	<b>-4,063</b>	<b>0</b>	<b>0</b>	<b>-17,579</b>	<b>8,172</b>	<b>-9,407</b>	<b>6,697</b>	<b>-2,710</b>
Adjustments between accounting basis & funding basis under regulations	17,906	0	1,935	-2,226	5,212	22,827	-22,827	0	0	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>	<b>4,390</b>	<b>0</b>	<b>-2,128</b>	<b>-2,226</b>	<b>5,212</b>	<b>5,248</b>	<b>-14,655</b>	<b>-9,407</b>	<b>6,697</b>	<b>-2,710</b>
Transfers from/to Earmarked Reserves	2,488	-2,416	28	-100	0	0	0	0	0	0
<b>Decrease/Increase in Year</b>	<b>6,878</b>	<b>-2,416</b>	<b>-2,100</b>	<b>-2,326</b>	<b>5,212</b>	<b>5,248</b>	<b>-14,655</b>	<b>-9,407</b>	<b>6,697</b>	<b>-2,710</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>13,155</b>	<b>52,022</b>	<b>13,958</b>	<b>10,763</b>	<b>25,163</b>	<b>115,061</b>	<b>45,102</b>	<b>160,163</b>	<b>5,330</b>	<b>165,493</b>

## **GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	<b>2011/12</b>			<b>2012/13</b>		
<b>Gross</b>	<b>Gross</b>	<b>Net</b>		<b>Gross</b>	<b>Gross</b>	<b>Net</b>
<b>Expenditure</b>	<b>Income</b>	<b>Expenditure</b>		<b>Expenditure</b>	<b>Income</b>	<b>Expenditure</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
			Central services			
26,735	-22,882	3,853	to the public	26,996	-23,276	3,720
			Cultural and			
46,277	-14,218	32,059	related services	34,241	-10,969	23,272
			Education and			
			children's			
271,543	-53,704	217,839	services	277,790	-55,774	222,016
			Highways and			
			transport			
45,692	-23,721	21,971	services	44,640	-24,036	20,604
			Local authority			
52,647	-48,238	4,409	housing (HRA)	57,888	-50,028	7,860
			Other housing			
105,812	-102,473	3,339	services	111,270	-107,836	3,434
			Adult social care			
92,495	-25,873	66,622	Environmental	98,086	-29,635	68,451
			and regulatory			
			services			
34,435	-15,063	19,372	Planning	36,412	-22,896	13,516
			services			
27,120	-16,629	10,491	Corporate and	25,827	-14,659	11,168
			democratic core			
26,981	-9,724	17,257	Non distributed	14,031	-10,105	3,926
			costs - other			
10,388	-2,191	8,197	<b>Cost of</b>	16,522	-2,186	14,336
			<b>Services</b>			
<b>740,125</b>	<b>-334,716</b>	<b>405,409</b>		<b>743,703</b>	<b>-351,400</b>	<b>392,303</b>

## **GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012**

Gross Expenditure £'000	2011/12 Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	2012/13 Gross Income £'000	Net Expenditure £'000
25,694	0	25,694	Other operating expenditure	26,432	0	26,432
90,688	-53,027	37,661	Financing and investment income and expenditure (Note 13)	76,648	-51,276	25,372
0	-436,294	-436,294	Taxation and non-specific grant income (Note 14)	0	-433,303	-433,303
		<b>32,470</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>10,804</b>
		80	Share of the surplus or deficit on the provision of services by associates and joint ventures			78
		<b>32,550</b>	<b>Group (Surplus)/ Deficit</b>			<b>10,882</b>



## **GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012**

Gross	2011/12 Gross	Net	Gross	2012/13 Gross	Net
Expenditure £'000	Income £'000	Expenditure £'000	Expenditure £'000	Income £'000	Expenditure £'000
		(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			-58,972
		-10,933			
		Actuarial losses / gains on pension assets / liabilities			50,800
		137,903			
		Share of other comprehensive income and expenditure of associates and joint ventures			0
		0			
		<b>Other Comprehensive Income and Expenditure</b>			<b>-8,172</b>
		<b>126,970</b>			
		<b>Total Comprehensive Income and Expenditure</b>			<b>2,710</b>
		<b>159,520</b>			

## GROUP BALANCE SHEET

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

<b>31 March</b> <b>2012</b> <b>£'000</b>	<b>31 March</b> <b>2013</b> <b>£'000</b>
<b>Property, Plant &amp; Equipment</b>	
104,951 Council dwellings	112,652
499,066 Other land and buildings	539,163
13,429 Vehicles, plant, furniture and equipment	11,769
220,388 Infrastructure assets	220,894
12,062 Community assets	11,713
2,767 Surplus assets	7,294
10,598 Assets under construction	12,099
<b>863,261</b>	<b>915,584</b>
25,225 Heritage Assets	26,096
115,580 Investment Property	114,202
2,145 Intangible Assets	1,610
5,356 Long Term Investments	74
9,731 Investments in Associates and Joint Ventures	9,653
685 Long Term Debtors	906
<b>1,021,983 Long Term Assets</b>	<b>1,068,125</b>
92,315 Short Term Investments	83,724
2,487 Assets Held for Sale	1,269
1,910 Inventories	2,185
54,218 Short Term Debtors (Note 8)	58,601
31,119 Cash and Cash Equivalents (Note 11)	28,352
<b>182,049 Current Assets</b>	<b>174,131</b>
-31,310 Short Term Borrowing	-11,688

## GROUP BALANCE SHEET

31 March 2012 £'000	31 March 2013 £'000
-54,541 Short Term Creditors (Note 9)	-56,704
-32,158 Provisions (Note 10)	-37,937
<b>-118,009 Current Liabilities</b>	<b>-106,329</b>
-4,555 Long Term Creditors	-5,015
-20,498 Provisions (Note 10)	-18,319
-325,888 Long Term Borrowing	-320,101
-566,879 Other Long Term Liabilities	-626,999
<b>-917,820 Long Term Liabilities</b>	<b>-970,434</b>
<b>168,203 Net Assets</b>	<b>165,493</b>
<b>Usable Reserves</b>	
6,309 Balances - General Fund	19,884
16,058 Balances - Housing Revenue Account	13,958
13,089 Capital Receipts Reserve	10,763
19,951 Capital Grants Unapplied Account	25,163
54,438 Earmarked Reserves	52,022
<b>109,845</b>	<b>121,790</b>
<b>Unusable Reserves (Note 12)</b>	
114,960 Revaluation Reserve	167,061
-566,879 Pensions Reserve	-626,999
520,057 Capital Adjustment Account	512,649
-1,191 Financial Instrument Adjustment Account	-1,321
-8,589 Accumulated Absences Account	-7,687
<b>58,358</b>	<b>43,703</b>
<b>168,203 Total Reserves</b>	<b>165,493</b>

## **GROUP CASH FLOW STATEMENT**

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

<b><u>2011/12</u></b>	<b><u>2012/13</u></b>
<b><u>£'000</u></b>	<b><u>£'000</u></b>
-32,470 Net surplus / deficit on the provision of services	-10,804
Adjustments to net surplus or deficit on the provision of services for 104,262 non-cash movements	81,627
Adjustments for items included in the net surplus or deficit on the -42,212 provision of services that are investing and finance activities	-37,242
<hr/> 29,580 Net cash flows from operating activities (note 15)	<hr/> 33,581
-20,569 Investing activities (note 16)	-10,939
13,448 Financing activities (note 17)	-25,409
<hr/> 22,459 Net increase or decrease in cash and cash equivalents	<hr/> -2,767
8,660 Cash and cash equivalents at the beginning of the operating period	31,119
<hr/> <b>Cash and cash equivalents at the end of the operating period</b>	<hr/>
<b><u>31,119 (note 11)</u></b>	<b><u>28,352</u></b>

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## 1. Intra-Group Transactions

The following intra-group transactions have been eliminated on preparation of the Group Income & Expenditure Statement:

<u>2011/12</u> <u>£'000</u>		<u>2012/13</u> <u>£'000</u>
8,633	Sales to City and County of Swansea	9,062
-1,359	Purchases from City and County of Swansea	-218
-171	Rent, Rates & Royalties	-107
1,111	Debtors	753
-230	Creditors	-217

## 2. Continuing Group Activities

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.

## 3. Pension Costs

In addition to the City and County of Swansea, the Swansea City Waste Disposal Company Limited contributes to the CCS Pension Fund, at a common rate applicable to a group of employers which is set having regard to the assets and liabilities of the group as a whole.

The Swansea City Waste Disposal Company Limited contributions to the scheme for the year ended 31st March 2013 amounted to £63k (2012: £71k).

Further analysis can be found in the Notes to the City and County of Swansea Pension Fund (pages 141 to 175).

## 4. Tax on Profit on Ordinary Activities

The Group's total tax liability on profits generated arises out of the activities of the subsidiary, Swansea City Waste Disposal Company Limited.

There was no tax chargeable for 2012/13 and 2011/12.

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## 5. Analysis of Net Assets Employed

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

<b>31st March</b>		<b>31st March</b>
<b><u>2012</u></b>		<b><u>2013</u></b>
<b><u>£'000</u></b>		<b><u>£'000</u></b>
735,050	City and County of Swansea (Parent)	785,763
-9,699	Swansea City Waste Disposal Company Limited (Subsidiary)	-2,924
9,731	National Waterfront Museum Swansea (Joint Venture)	9,653
<b>735,082</b>	<b>Net Assets Employed (exc. Pension Fund)</b>	<b>792,492</b>
-566,879	Net Group Pension Fund Liabilities	-626,999
<b>168,203</b>	<b>Net Assets Employed</b>	<b>165,493</b>

## 6. Construction of the Group Accounts

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

Swansea City Waste Disposal Company Limited - Annual report for the year ending 31st March 2012, Management Accounts have been received for the year ending 31st March 2013,  
National Waterfront Museum Swansea - Draft Financial Statements for the year ending 31st March 2013,

Wales National Pool Swansea - Annual report 31st July 2012 (audited).

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 2013 and the use of current information would not be significant in relation to the group position as stated.

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## 7. Access to benefits and exposure to risk of potential losses in respect of the Associated Companies

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

## 8. Short Term Debtors

<b>31st March</b>	<b>31st March</b>
<b>2012</b>	<b>2013</b>
<b>£'000</b>	<b>£'000</b>
24,846 Central government bodies	32,566
1,605 Other local authorities	1,274
2,249 NHS bodies	2,154
101 Public corporations and trading funds	4
24,010 Other entities and individuals	21,124
1,407 Payments In Advance	1,479
<b>54,218</b>	<b>58,601</b>

## 9. Creditors

<b>31st March</b>	<b>31st March</b>
<b>2012</b>	<b>2013</b>
<b>£'000</b>	<b>£'000</b>
6,448 Central government bodies	5,867
4,835 Other local authorities	5,681
884 NHS bodies	549
69 Public corporations and trading funds	592
37,176 Other entities and individuals	38,528
5,129 Receipts In Advance	5,487
<b>54,541</b>	<b>56,704</b>

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## 10. Provisions

**Provisions** are amounts set aside to meet specific liabilities, the amount or timing of which cannot be accurately determined.

### 2012/13

#### Short - term and 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 2012</b>	<b>359</b>	<b>7,296</b>	<b>27,807</b>	<b>17,194</b>	<b>52,656</b>
Additional provisions made in 2012/13	0	6,088	4,233	8,990	19,311
Amounts used in 2012/13	-102	-5,390	0	-1,082	-6,574
Unused amounts reversed in 2012/13	-38	0	0	-9,099	-9,137
<b>Balance at 31 March 2013</b>	<b>219</b>	<b>7,994</b>	<b>32,040</b>	<b>16,003</b>	<b>56,256</b>

### 2011/12

#### Short - term and 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 2011</b>	<b>271</b>	<b>8,554</b>	<b>18,048</b>	<b>14,772</b>	<b>41,645</b>
Additional provisions made in 2011/12	321	2,902	9,759	5,111	18,093
Amounts used in 2011/12	-233	-4,160	0	-2,530	-6,923
Unused amounts reversed in 2011/12	0	0	0	-159	-159
<b>Balance at 31 March 2012</b>	<b>359</b>	<b>7,296</b>	<b>27,807</b>	<b>17,194</b>	<b>52,656</b>

\* Other provisions include £11.253m with respect to the Swansea City Waste Disposal Company Limited.

\*\* Other provisions include £11.500m with respect to the Swansea City Waste Disposal Company Limited.



## NOTES TO THE GROUP FINANCIAL STATEMENTS

The provision for the expected costs for restoring and maintaining the company's landfill site after the end of its useful life in the company's business relates to the expected costs that the directors consider would discharge the company's obligation for the restoring and maintenance of the landfill site relating to the company's usage of the site. The maintenance period taken into account is 60 years after the landfill site has reached the end of its useful life in the company's business. This was increased during earlier periods from 30 years following additional guidance provided by the Environment Agency. In accordance with this guidance, no account is taken of the inflation rate at the time this provision is calculated and the provision has not been discounted to net present values as there is no consistent and proven real rate of return on the funds. The provision for such costs has been based on the directors' best estimate of costs which will be borne by the company. The expected costs are subject to periodic review.

Provision is made to the extent that the directors consider that it is probable that a transfer of economic benefits from the entity (Swansea City Waste Disposal Company Limited) will be required to settle the obligation.

At 31 March 2012 the provision amounted to £11,253,000, however the amount may be subject to significant variation as the extent to which the site can be utilised is determined eventually. The eventual closure and restoration costs of the landfill site will need to be assessed once the future development plans for the site are finalised. The costs to be incurred may need to be revised significantly at that time.

### 11. Cash and Cash Equivalents

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

	31st March 2012	31st March 2013
	£'000	£'000
Cash held by the Group	312	152
Bank current accounts	30,807	28,200
<b>Total Cash and Cash Equivalents</b>	<b>31,119</b>	<b>28,352</b>

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## 12. Unusable Reserves

<b>31st March 2012 £'000</b>	<b>31st March 2013 £'000</b>
114,960 Revaluation Reserve	167,061
520,057 Capital Adjustment Account	512,649
-1,191 Financial Instruments Adjustment Account	-1,321
-566,879 Pensions Reserve	-626,999
-8,589 Accumulated Absences Account	-7,687
<b><u>58,358</u> Total Unusable Reserves</b>	<b><u>43,703</u></b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

## NOTES TO THE GROUP FINANCIAL STATEMENTS

2011/12		2012/13
£'000		£'000
<b>547,205</b>	<b>Balance at 1st April</b>	<b>520,057</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	Charges for depreciation and impairment of non-current assets	
-58,366		-70,008
	Revaluation losses on Property, Plant and Equipment	
-18,923		-3,704
-760	Amortisation of intangible assets	-750
	Revenue expenditure funded from capital under statute	
-8,688		-9,234
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
-2,776		-2,703
<u>-89,513</u>		<u>-86,399</u>
	Adjusting amounts written out of the Revaluation Reserve	
<u>5,976</u>		<u>6,873</u>
-83,537	Net written out amount of the cost of non-current assets consumed in the year	-79,526
	Capital financing applied in the year:	
	Use of the Capital Receipts Reserve to finance new capital expenditure	
6,688		5,678
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
36,082		32,033
	Statutory provision for the financing of the capital investment charged against the General Fund and HRA balances	
15,133		14,735
	Capital expenditure charged against the HRA and General Fund balances	
<u>12,786</u>		<u>19,217</u>
<u>70,689</u>		<u>71,663</u>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

2011/12	2012/13
£'000	£'000
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and	
-14,300 Expenditure Statement	455
<b>520,057 Balance at 31st March</b>	<b>512,649</b>

### 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.

2011/12	2012/13
£'000	£'000
<b>-423,042 Balance at 1st April</b>	<b>-566,879</b>
Actuarial gains or losses on pension assets and liabilities	-50,800
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	-43,110
-3,860 Past service cost adjustment	-900
Employer's pensions contributions and direct payments to pensioners payable in the year	34,690
<b>-566,879 Balance at 31st March</b>	<b>-626,999</b>

The remaining Unusable Reserves are not disclosed within the Group Notes as there is no group impact.

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## 13. Financing and Investment Income and Expenditure

2011/12			2012/13		
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Gross Exp £'000	Gross Income £'000	Net Exp £'000
18,598	0	18,598	18,274	0	18,274
Interest payable and similar charges					
57,010	-46,380	10,630	57,980	-44,480	13,500
Pensions interest cost and expected return on pension assets					
0	-1,335	-1,335	0	-1,095	-1,095
Interest receivable and similar income					
15,080	-5,312	9,768	394	-5,701	-5,307
Income and expenditure in relation to investment properties and changes in their fair value					
<b>90,688</b>	<b>-53,027</b>	<b>37,661</b>	<b>76,648</b>	<b>-51,276</b>	<b>25,372</b>

## 14. Taxation and Non Specific Grant Income

2011/12 £'000	2012/13 £'000
-101,600	-103,105
Council tax income	
-55,556	-64,518
Non domestic rates	
-242,743	-235,656
Non-ringfenced government grants	
-36,395	-30,024
Capital grants and contributions	
<b>-436,294</b>	<b>-433,303</b>

## 15. Cash Flow Statement - Operating Activities

2011/12 £'000	2012/13 £'000
1,527	1,452
Interest received	
-18,676	-18,341
Interest paid	
<b>-17,149</b>	<b>-16,889</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

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

2011/12	2012/13
£'000	£'000
58,366 Depreciation	71,136
33,223 Impairment and downward revaluations	3,249
760 Amortisation	750
1,665 Increase/(decrease) in impairment for bad debts	
-592 Increase/decrease in creditors	668
-3,692 Increase/decrease in debtors	-4,549
-30 Increase/decrease in inventories	-275
5,941 Movement in pension liability	9,320
Carrying amount of non-current assets and non-current	
0 assets held for sale, sold or de-recognised	-2,703
Other non-cash items charged to the net surplus or deficit	
8,621 on the provision of services	4,031
104,262	81,627

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

2011/12	2012/13
£'000	£'000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes	
0 investments in associates, joint ventures and subsidiaries)	0
Proceeds from the sale of property, plant and equipment,	
0 investment property and intangible assets	0
Any other items for which the cash effects are investing or	
-42,212 financing cash flows	-37,242
-42,212	-37,242

### 16. Cash Flow Statement - Investing Activities

2011/12	2012/13
£'000	£'000
-54,629 Purchase of property, plant and equipment, investment property and intangible assets	-66,021
-636,949 Purchases of short-term and long-term investments	-874,516
3,300 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,450
630,850 Proceeds from short-term and long-term investments	888,389
36,859 Other receipts from investing activities	37,759
-20,569 Net cash flows from investing activities	-10,939

## **NOTES TO THE GROUP FINANCIAL STATEMENTS**

### **17. Cash Flow Statement - Financing Activities**

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
22,189	Cash receipts of short and long-term borrowing	3,541
<u>-8,741</u>	Repayments of short and long-term borrowing	<u>-28,950</u>
<b><u>13,448</u></b>	<b>Net cash flows from financing activities</b>	<b><u>-25,409</u></b>

# **HEAD OF FINANCIAL SERVICES CERTIFICATE & STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

I hereby certify that the statement of accounts on pages 3 to 140 and pages 176 to 199 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 2013.

## **The Authority's Responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer, namely the Head of Financial Services;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

## **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2013.

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance 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 2012/13 Statement of Accounts was authorised for issue on 24<sup>th</sup> September 2013 by Mike Hawes, Head of Financial Services 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 2012/13 Statement of Accounts was formally approved by Council on 24<sup>th</sup> September 2013.

**Chairman**

**Date**



# AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

## Independent auditor's report to the Members of City and County of Swansea

I have audited the accounting statements and related notes of:

- The City and County of Swansea; and
- The City and County of Swansea Group; and
- The City and County of Swansea Pension Fund

for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

The City and County of Swansea's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The City and County of Swansea's Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

The City and County of Swansea's Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 based on International Financial Reporting Standards (IFRSs).

### Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 200, the responsible financial officer is responsible for the preparation of the statement of accounts, including the City and County of Swansea's Group accounting statements and the City and County of Swansea's Pension Fund's accounting statements, which gives a true and fair view.

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

### Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### Opinion on the accounting statements of the City and County of Swansea

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City and County of Swansea as at 31 March 2013 and of its income and expenditure for the year then ended; and

# AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

## **Opinion on the accounting statements of the City and County of Swansea Group**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City and Council of Swansea Group as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

## **Opinion on the accounting statements of the City and County of Swansea pension fund**

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of the City and County of Swansea Pension Fund during the year ended 31 March 2013 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

## **Emphasis of matter – unlawful transactions**

I draw attention to the matters disclosed in note 32 to the Council accounts and note 19 to the Pension Fund accounts in relation to (i) a £20m loan from the pension fund to the Council, which was in breach of applicable regulations; and (ii) the payment of £326,000 of investment income from the Council to the pension fund. Both of these transactions are considered to be unlawful. Our opinion is not modified in respect of these matters.

## **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

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

I have nothing to report in respect of the Annual Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit

## **Certificate of completion of audit**

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

# AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

**Appointed Auditor  
Wales Audit Office  
24 Cathedral Road  
CF11 9LG**

**Date:**

*The maintenance and integrity of the City and County of Swansea website is the responsibility of the City and County of Swansea; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.*

# ANNUAL GOVERNANCE STATEMENT

## 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 Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk
- 1.3 The City and County of Swansea has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is on our website at <http://www.swansea.gov.uk/corporategovernance>. This statement explains how the Authority has complied with the Code.

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and 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 of those risks being realised and the impact should they be 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 for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts

## 3. The Governance Framework

# ANNUAL GOVERNANCE STATEMENT

- 3.1 The CIPFA/SOLACE governance framework identifies the following 6 fundamental principles of corporate governance
- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  - Developing the capacity and capability of members and officers to be effective
  - Engaging with local people and other stakeholders to ensure robust public accountability
- 3.2 Council approved its Code of Corporate Governance on 19<sup>th</sup> June 2008 based on the 6 principles outlined above.
- 3.3 The key elements of the policies, systems and procedures that comprise the governance framework in the Council are shown below and linked to the 6 fundamental principles
- 3.4 **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**
- The **Council** is made up of 72 councillors who are democratically accountable to residents and have an overriding duty to the whole community. Council decides overall policies and sets the annual budget as well as receiving reports from Overview and Scrutiny Boards, Cabinet Members and Officers.
  - The forward looking **Corporate Improvement Plan** is produced under the Local Government (Wales) Measure 2009 which summarises the Council's improvement objectives and associated priorities, targets and milestones.
  - An **Annual Performance Review** which provides a commentary on the progress made by the Council in meeting the priorities, actions and targets set out in the Corporate Improvement Plan.
  - The **Community Strategy 2010 - 2014** which sets out the long term vision and strategic objectives for the area and how it is to be achieved as well as the short term priorities and how they are being tackled. The Community Strategy is overseen by the Better Swansea Partnership

# ANNUAL GOVERNANCE STATEMENT

- A new **Single Needs Assessment** has been produced which has been used by the Swansea Local Service Board to prepare a new **Single Integrated Plan**.
- A **Code of Corporate Governance** based on the CIPFA/SOLACE governance framework has been adopted by the Council.
- A **Business Planning Process** exists which aims to more clearly align previously disparate budget and planning processes, such as equalities, sustainability and risk management into a 4 year planning cycle with an annual review.
- A **Medium Term Financial Plan** is approved by Council each year which provides for a balanced budget in the following year and a projection for the next 3 years based on a combination of detail, where known, and forecasts based on best available evidence.

## 3.5 Members and officers working together to achieve a common purpose with clearly defined functions and roles

- A **Council Constitution** exists which sets out the framework and rules governing the Council's business described in 16 Articles. The Constitution also includes a Scheme of Delegation and a number of Rules of Procedure, Codes and Protocols as well as the Councillors' Allowances Scheme.
- A **Constitution Working Group** to review all aspects of the Council Constitution and to make appropriate recommendations for change
- Separate **Codes of Conduct** exist in the Council Constitution for **Members and Officers** which describe the high standard of conduct expected of them. There is also a **Member/Officer Protocol** which guides the relationship between them to ensure the smooth running of the Council.
- The **Chief Executive**, as Head of the Paid Service, leads the Council's officers and chairs the Corporate Management Team
- The Head of Finance was designated the Council's **S151 Officer** with effect from 01/04/11 and is responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. The S151 Officer role was transferred to the Head of Financial Services on 01/07/13 following the retirement of the Head of Finance
- The Council's financial management arrangements during 2012/13 complied with the governance requirements of the **CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)**. This has remained the case following the appointment of the Head of Financial Services as S151 Officer.

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- An **Audit Committee** exists to review and scrutinise the Council's financial affairs, review and assess the risk management, internal control and corporate governance arrangements, oversee the internal and external audit arrangements and review the financial statements. As required by the Local Government (Wales) Measure 2011, a lay member was appointed to the Audit Committee in November 2012.
- The Head of Legal, Democratic Services and Procurement has been designated as the Council's **Monitoring Officer** and is responsible for investigating and reporting on any allegations of contraventions to any laws, policies, procedures, regulations or maladministration and breaches of the Council's Constitution
- The Council is the Administering Authority for the **City and County of Swansea Pension Fund** and is responsible for all issues relating to the governance of the Pension Fund. For 2012/13, the functions were undertaken by the Pension Fund Panel under the Council's Scheme of Delegation however from 01/04/13, this role is now performed by the Pension Fund Committee

## 3.6 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council has defined its **Values** as Innovation, Teamwork, Caring, Respect, Enthusiasm and Openness. A detailed description of each value and what it means to the Council is available on the Intranet.
- The **Standards Committee** made up of 4 councillors and 5 independent members promotes and maintains high standards of conduct by Councillors, assists Councillors to observe their Code of Conduct, monitors the operation of the Code and deals with breaches of the Code of Conduct referred to them by the Public Service Ombudsman for Wales
- The **Anti Fraud and Corruption Strategy** applies to all councillors and employees. It outlines the Council's commitment to preventing, discouraging, detecting and investigating fraud and corruption whether attempted on the Council or from within the Council
- A new **Corporate Complaints Policy** based on the Welsh Government Model for complaints handling was adopted by Council on 14/03/13. The policy governs the investigation of complaints from members of the public including complaints about service provision. A Corporate Complaints Annual Report is presented to Cabinet each year.
- A **Whistle Blowing Policy** exists which encourages and enables employees to raise serious concerns without fear of harassment or victimisation.
- The **Internal Audit Section** provides an independent and objective opinion to the Council on the control environment

# ANNUAL GOVERNANCE STATEMENT

which comprises risk management, internal control and governance by evaluating its effectiveness in achieving the Council's objectives. The Internal Audit Section also has responsibility to investigate allegations of fraud and financial irregularities.

## 3.7 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- The **Decision Making** process is clearly set out in the Constitution along with the scheme of delegation and the terms of reference of Cabinet, Committees, Scrutiny Boards, Panels, Forums and Groups.
- The **Cabinet** (as Executive) is responsible for most day to day decisions and acts in line with the Council's overall policies and budget. Following the Election in May 2012, a new Cabinet structure was put in place based on new portfolios and cross-cutting themes.
- A **Challenge Panel** consisting of 12 members considers any Cabinet decisions which have been 'called in' if the Chair of the Council accepts that the call in is valid. The criteria used by the Chair to decide on validity are tightly set and the Chair receives appropriate advice from officers. The Challenge Panel considers whether the decision is a well founded and appropriate decision of Cabinet
- All reports to Council and Cabinet must include paragraphs detailing the **Financial and Legal Implications** of the report.
- Revised arrangements for **Scrutiny** were agreed by Council at its meeting on 24/05/12. The function was to be delivered via the following boards
  - Scrutiny Programme Board
  - Stronger and Safer Communities Scrutiny Board
  - People Scrutiny Board
  - Places Scrutiny Board
- The arrangements allowed for detailed work to take place via task and finish groups called **Panels** with 2 main types of Panel
  - Inquiry Panels – set up to undertake in depth inquiries into areas of concern
  - Performance Panels – set up to provide in-depth monitoring and challenge for clearly defined service areas.
- Further changes to Scrutiny were agreed by Council on 18/10/12 which established a single **Scrutiny Programme Committee** to manage all scrutiny via a single workplan, to hold Cabinet Members to account and provide challenge on specific themes. The Committee will set up informal **Scrutiny Panels and Working Groups** to undertake the detailed work of scrutiny and will appoint **Scrutiny Conveners** to chair the various Scrutiny Panels



## ANNUAL GOVERNANCE STATEMENT

- The role of Scrutiny is to improve the performance of services, to provide an effective challenge to the Executive and to engage non-executive members in the development of policies, strategies and plans. A **Scrutiny Work Planning Conference** is held each year to choose topics for review and a **Scrutiny Annual Report** is presented to the Scrutiny Programme Committee.
- A **Corporate Risk Policy** is in place which describes how risk management is implemented in the Council to support the realisation of strategic objectives. A **Risk Management Framework** also exists which aims to help managers and members at all levels to apply risk management principles consistently across their areas of responsibility.
- Corporate and Directorate **Risk Registers** are in place to capture all risks that could affect the Council
- Each Corporate Director attends a monthly **Strategic Programme Board** meeting which directly governs the most strategic initiatives being undertaken by the Council.
- The **Programme and Project Management Regime** aims to ensure that developments have a sound business case based on good quality information and risks are managed through clear decision making frameworks including specific roles and responsibilities for key personnel.

### 3.8 Develop the capacity and capability of members and officers to be effective

- **Induction courses** are held for all new councillors and employees
- Regular **Cabinet and Corporate Management Team Away Days** are held to agree the Forward Looking Plan, identify the Corporate Risks, agree the priorities in the Medium Term Financial Plan and set the Strategic Programme
- There is a **Performance Management Regime** which includes an annual appraisal with a half yearly review for all employees.
- Monthly **One to One meetings** are held involving Cabinet Members, Corporate Directors, Heads of Service and 3<sup>rd</sup> tier staff as part of the performance management process
- Each Corporate Director holds monthly **Performance and Financial Monitoring** meetings where Heads of Service report on progress in terms of continuous improvement and budgets
- The Council's Programme Management regime aims to ensure that **Partnerships** are underpinned by an agreed vision, shared commitment and openness to deliver outcomes and benefits
- The Council Constitution includes **Financial Procedure Rules** which govern the financial management of the Council
- Financial Procedure Rules are supplemented by detailed **Accounting Instructions** which aid sound financial administration by setting out the principal controls and

# ANNUAL GOVERNANCE STATEMENT

procedures for a range of functions to be followed by all departments. From time to time ad hoc instructions may also be issued such as the current spending restrictions.

- The Council Constitution includes **Contract Procedure Rules** which along with the Procurement Guide govern the purchasing of goods and services and the letting of contracts.

## 3.9 Engaging with local people and other stakeholders to ensure robust public accountability

- A **Consultation and Engagement Strategy 2011-14** exists to ensure effective consultation and engagement with residents and partner organisations.
- The **Swansea Voices Panel** consists of a representative sample of 1,250 residents and provides a means for consulting on service provision and local issues. There is also a ward representative role for each councillor.
- The **Swansea Leader** is published every 2 months and delivered to every household in the area informing local people about the Council's work and the progress it is making. An electronic version of the Swansea Leader is available on the Council's website.
- Use is made of the Council website to publish **Information for Stakeholders** including agendas, which are published in advance of meetings and minutes of all Council, Cabinet, Committee and Scrutiny Board meetings. Citizens can attend meetings of the Council, Cabinet, Committees and Scrutiny Boards except where confidential or exempt information is likely to be disclosed and the meeting is therefore held in private.
- Citizens also have the right to ask questions and time is set aside at each Council and Cabinet meeting for **Public Questions**
- **Financial Monitoring Reports** are produced on a quarterly basis and reported to Cabinet
- **Performance Reports** are produced for Cabinet on a quarterly basis and performance results are certified at the end of the year and any inconsistencies are investigated.

## 3.10 The Council's Annual Statement of Accounts includes **Group Accounts** which incorporates the following companies. The Annual General Meeting of the Council appoints councillors to sit on the Boards of the companies. The number of councillors appointed is shown against each company

- Swansea City Waste Disposal Co. Ltd (1 councillor)
- Wales National Pool Swansea Ltd (3 councillors)
- National Waterfront Museum Swansea Ltd (3 councillors)
- Swansea Stadium Management Co. Ltd (2 councillors)
- Bay Leisure Ltd (2 councillors)

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3.11 A number of methods are in place to monitor the activities and performance of the companies including councillor/officer steering groups, strategic and operational meetings and management groups.

3.12 A partnership unit has been set up within Culture and Tourism to monitor the activities of externally funded partner providers and an Annual Report on Leisure Partnerships is presented to Council each year

## 4. Review of Effectiveness

4.1 The City and County of Swansea has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Chief Auditor's annual report, and also by comments made by the external auditor and other review agencies and inspectorates

4.2 The processes for maintaining and reviewing the effectiveness of the governance framework within the Council include the following broad headings

### 4.3 Internal Control Self Assessment

- Each Head of Service has provided a signed **Senior Management Assurance Statement** for 2012/13 which provides assurance over the internal control, risk management and governance framework for their area of responsibility.

### 4.4 Internal Sources of Assurance

The following provide assurance based, partly, on reports covering 2011/12 as the 2012/13 reports are not yet available. The 2012/13 reports will be reflected in the next Annual Governance Statement

- The **Annual Performance Review 2011/12** '*Delivering Results That Matter*' was reported to Council on 18/10/12 and concluded that '*the Council had made good progress in delivering its Improvement Objectives for 2011/12*'
- The **Standards Committee** met on 7 occasions and the Annual Report of the Standards Committee 2011/12 was presented to Council on 20/09/12.
- The **Scrutiny Programme Committee and Panels** met regularly during 2012/13 and have been supported by the Scrutiny Support Unit. The **Scrutiny Annual Report 2011/12** was reported to the Scrutiny Programme Committee on 03/12/12.

## ANNUAL GOVERNANCE STATEMENT

- The annual **Scrutiny Work Planning Conference 2013/14** was held on 20/05/13 and a report on the **Scrutiny Work Programme 2013/14** was agreed by the Scrutiny Programme Committee on 10/06/13
- The **Corporate Complaints Policy** was in place throughout 2012/13 and the **Complaints Annual Report 2011/12** was presented to Cabinet on 04/10/12.

The following provide assurance based on reports covering 2012/13

- The forward looking **Corporate Improvement Plan 2012/13** '*Improving what matters*' produced under the Local Government (Wales) Measure 2009 was adopted by Council on 24/05/12.
- The Council meeting held on 25/02/10 approved the **Community Strategy 2010-2014**.
- The **Audit Committee** met on 5 occasions during 2012/13. The first meeting was not until 06/12/12 due to the ongoing process of recruiting a lay member as required under the Local Government (Wales) Measure 2011. As the Committee was made up, mostly, of new members training was provided in internal audit, external audit, risk management, corporate governance and statement of accounts. The Committee received the Internal Audit Annual Report 2011/12 as well as quarterly Internal Audit Monitoring Reports for 2012/13 showing progress against the Annual Internal Audit Plan.
- The **Internal Audit Annual Report 2012/13** was reported to the Audit Committee on 15/08/13 and included the Chief Auditor's opinion that based on the audit reviews undertaken in 2012/13, Internal Audit can give reasonable assurance that the systems of internal control were operating adequately and effectively and that no significant weaknesses were identified
- The **Constitution Working Group** followed a detailed work plan during 2012/13 and made a number of reports to Council which amended the Council Constitution based on the work of the Group
- The **Medium Term Financial Plan 2014/15 – 2016/17** was approved by Council on 14/02/13.
- The **Corporate Risk Management Framework** was reviewed during 2010/11 and the Policy amended accordingly. Specific roles and responsibilities for key stakeholders have been identified. A Strategic Risk Group has been established with its primary role being to manage the Corporate Risk Register on behalf of Corporate Management Team. It also ensures that Directorate Risk Co-ordinators regularly engage with their Departmental Management Teams and/or PFM meetings to review risks. There will be an annual review of risks identified through the Business Planning process. Corporate and Directorate Risk Registers are now managed and updated via a new online database.

# ANNUAL GOVERNANCE STATEMENT

- Each Corporate Director held monthly **Performance and Financial Monitoring** (PFM) meetings where Heads of Service reported on progress in terms of continuous improvement and budgets.
- Quarterly **Performance Monitoring Reports** were presented to Cabinet during 2012/13.
- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2012/13.
- All reports presented to Cabinet and Council during 2012/13 had been reviewed by Finance and Legal staff and included the appropriate paragraphs detailing the **Financial and Legal Implications** of the report.

## 4.5 External Sources of Assurance

- The Wales Audit Office provided two **Improvement Assessment Letters 2012/13** as required by the Local Government (Wales) Measure 2009. The letters identify compliance with the Measure but also show some areas for improvement in particular relating to the balanced reporting of performance.
- The Wales Audit Office produces an **Annual Improvement Report** under the Local Government (Wales) Measure 2009. The report is produced in association with other inspectors such as ESTYN and CSSIW and shows how well the Council is improving the services it provides. The **Annual Improvement Report 2012/13** was on 09/07/13. The reports main message was that *'The Council is improving performance whilst taking steps to improve the culture of self-evaluation and is going through a period of change in senior management and scrutiny arrangement'*.
- The Appointed Auditor's **Annual Audit Letter** was sent to the Leader on 29/11/11 and stated that *'Generally, the City and County of Swansea complied with its responsibilities relating to financial reporting and use of resources.....'* However the letter also stated that an audit opinion had not been provided for 2011/12 due to the ongoing consideration of a potential amendment to the accounts. The matter was concluded in January 2012 and an unqualified opinion provided.
- The **PwC Controls Report 2011/12** which was presented to the Audit Committee on 18/04/13 stated that *'the Authority has made progress in implementing prior year recommendations. A number of new recommendations have been raised to enhance the overall control environment'*.
- PwC also presented their **Audit of Accounting Statements – Report to Those Charged with Governance** for 2011/12 to Cabinet on 18/09/12 however an audit opinion could not be provided at that time as there were 2 outstanding matters to resolve. The report was again presented to Cabinet on 31/01/13 and stated that it was the appointed auditor's intention to issue

# ANNUAL GOVERNANCE STATEMENT

an unqualified audit report on the financial statements which was subsequently issued in February 2013. The report to Cabinet highlighted a number of issues including an unlawful transaction between the Council and Pension Fund

- The Council is subject to **Statutory External Inspections** by various bodies including Wales Audit Office, ESTYN and CSSIW. The CSSIW Annual Council Performance Report 2011/12 was reported to Council on 17/01/13. Overall the report was positive and acknowledged the progress made by the Council but also identified some risk areas and areas for future development.

- 4.6 The Annual General Meeting of the Council held on 24/05/12 appointed the required number of councillors to sit on the Boards of the companies included in the Council's **Group Accounts**.
- 4.7 Various meetings took place during 2012/13 to monitor the performance of the companies and to ensure good governance over their activities.
- 4.8 The Annual Report on Leisure Partnerships for 2011/12 was presented to Council on 20/12/12. The report reviewed the Wales National Pool Swansea, National Waterfront Museum Swansea, Liberty Stadium and the LC in detail and provided information on the monitoring arrangements in place.
- 4.9 The legislation which required waste disposal operations to be carried out 'at arms length' has been repealed. The Council undertook a full review of the operations of Swansea City Waste Disposal Company in light of its current waste strategy and decided to bring the whole operation back in house. The Company's assets and liabilities as well as its employees are scheduled to transfer into the Council from 31/07/13 with the liquidation of the Company following shortly after.
- 4.10 We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## 5 Significant Governance Issues

- 5.1 The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement 2011/12 and the action taken during the year to address the issues

## ANNUAL GOVERNANCE STATEMENT

Issue	Proposed Action	Action Taken
Review of Senior Management and Early Retirement/Voluntary Redundancy Scheme	Ensure governance arrangements are maintained during the process of re-structuring of the top 4 tiers of management and in the management and supervision changes resulting from the ER/VR Scheme and spans of control work.	Structures, roles and responsibilities have been amended in the light of staffing reductions. This has ensured that governance arrangements have been properly maintained notwithstanding a significant reduction in senior management and other management posts.
Scrutiny Arrangements	Project Board will review existing arrangements to reflect potential reduced resources and the implications of the Local Government (Wales) Measure 2011.	The 2011/12 arrangements have since been replaced by an entirely new structure which is now subject to a self assessment process underpinned by the Wales Audit Office National Scrutiny Improvement Study.
Develop rationalised set of priorities	Prepare Corporate Improvement Plan that links to single Integrated Plan and sets out outcome based improvement objectives and performance measures	Corporate Improvement Plan 2013 – 2017 under development.
Reporting to Citizens	Undertake annual review of performance that measures Council's success delivering its Improvement Plan and objectives on the basis of 'impact' for citizens.	Annual Review of Performance 2011/12 published Annual review of Performance 2012/13 to be published by October 2013.
Wales Audit Office review of Planning Services	Respond to outstanding WAO recommendations by establishing a Chief Executive's Improvement Board	The Chief Executive's Improvement Board reported to Council on 22/11/12. All outstanding WAO recommendations have been addressed.
Compliance by Schools	Consistent challenge and direction to	There has been consistent challenge and

## ANNUAL GOVERNANCE STATEMENT

	schools by the Authority to stress the essential importance of adherence to financial regulations, accounting instructions, procurement processes etc.	direction by the authority during 2012/13 to stress the importance of compliance at headteacher and governor meetings, direct communication with schools and supportive joint working across teams. Whilst this has raised the profile of the issues and had a discernible impact on the vast majority of schools, further challenge is needed over the coming year where any further instances of non compliance are identified
Pension Fund Panel Governance and Pension Fund Treasury Management Review	The Governance arrangements re. membership and secretariat services for the Pension Fund Panel be reviewed, whilst Pension Fund Treasury Management operations are formalised and documented and other functions undertaken by the Council for the Pension Fund are documented in a service level agreement	Amended arrangements were introduced in May 2013. These will address the previous Audit comments. Officers are in the process of documenting the Treasury Management Services provided by the Administering Authority in a formal agreement.

5.2 The following table identifies issues which have been raised during the review of effectiveness and the proposed action to be taken during 2013/14 to address the issues

Issue	Proposed Action
Develop rationalised set of priorities	Prepare Corporate Improvement Plan that links to single Integrated Plan and sets out outcome based improvement objectives and performance measures
Reporting to Citizens	Undertake annual review of performance that measures Council's



## ANNUAL GOVERNANCE STATEMENT

	success delivering its Improvement Plan and objectives on the basis of 'impact' for citizens.
Scrutiny Arrangements	Complete the review of the new Scrutiny arrangements in line with the Wales Audit Office National Scrutiny Improvement Study
Compliance by Schools	Continue to provide challenge and direction to schools to embed the improvements already made to ensure compliance with financial regulations, accounting instructions, procurement processes etc.
Arms Length Operations	Undertake a review of the governance arrangements
Senior Management Assurance Statements	Review evidence available to confirm statements made by Heads of Service for a sample of Senior Management Assurance Statements

- 5.3 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.

### **Capital Receipts**

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

# **GLOSSARY OF TERMS**

## **Cash Equivalents**

Cash Equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **Cash flow Statement**

This is a statement that summarises the movement in cash during the year.

## **Consolidated Balance Sheet**

This balance sheet combines the assets, liabilities and other balances of all our departments, at our year end date.

## **Corporate and Democratic Costs**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

## **Credit Risk**

This is the risk of loss due to a debtors inability to make interest or principal repayments on a loan /investment.

## **Creditor**

A creditor is someone we owed money to at the date of the balance sheet for work done, goods received or services rendered.

## **Current Assets**

These are short-term assets which are available for us to use in the following accounting year.

## **Current Liabilities**

These are short-term liabilities which are due for payment by us in the following accounting year.

## **Debtor**

A debtor is someone who owed money to us at the date of the balance sheet.

## **Depreciation**

Depreciation is the theoretical loss in value of assets, which we record, in our annual accounts.

## **Direct Labour Organisation or Direct Service Organisation (DLO or DSO)**

This is our own organisation. It consists of workers we directly employ (including supervisory staff), accommodation, equipment and so on, used to carry out specified tasks for us.

## **Earmarked Reserves**

These are reserves we have set aside for a specific purpose.

# **GLOSSARY OF TERMS**

## **Financial Year**

This is the accounting period. For local authorities it starts on 1<sup>st</sup> April and finishes on 31<sup>st</sup> March in the following year.

## **Finance Leases**

When we use finance leases, we take on most of the risks (and rewards) of owning the assets.

## **Fixed Asset**

These are long-term assets we use (usually for more than one year).

## **Gilt Edged Stocks**

These are investments in government or local authority stocks. They are regarded as risk-free.

## **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

## **Housing Revenue Account**

This account contains all our housing income and spending.

## **Investments**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

## **Joint Venture**

A joint venture is an entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement.

## **Leasing**

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

## **Liability**

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

## **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.

# **GLOSSARY OF TERMS**

## **National Non-Domestic Rates (NNDR)**

The NNDR, or Business Rate, is the charge occupiers of business premises pay to finance part of local authority spending. The NNDR is set by Government and is a percentage of the rateable values. The percentage is the same throughout Wales. The total collected is split between individual authorities in proportion to their adult populations.

## **Net Realisable Value**

The selling price of the asset, reduced by the relevant cost of selling it.

## **Non Distributable Costs**

These are costs that relate to past activity costs, such as the cost of redundant assets or information technology, or past service pension that cannot be allocated to services.

## **Operating leases**

These are leases where risks (and rewards) of ownership of the asset remain with the owner.

## **Precepts**

This is the amount we pay to a non-billing authority (for example a community council) so that it can cover its expenses (after allowing for its income).

## **Provision**

A provision is an amount we set aside in our accounts for expected liabilities which we cannot measure accurately.

## **Public Works Loan Board (PWLB)**

This is a Government agency which provides longer-term loans to local authorities. It charges interest rates only slightly higher than those at which Government itself can borrow.

## **Related party transactions**

These are the transfer of assets or liabilities or the performance of services by, to or for a related party no matter whether a charge is made.

## **Reserves**

These are sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

## **Revaluation Reserve**

This reserve represents the difference between the revalued amount of fixed assets in the Balance Sheet and their depreciated historical cost.

## **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.

# **GLOSSARY OF TERMS**

## **Scheduled organisation**

An organisation whose employees have an automatic right to be members of a pension fund.

## **Securities**

These are investments such as stocks, share and bonds.

## **Stocks**

Stocks are raw materials we purchased for day to day use. The value of those items we had not used at the date of the balance sheet is shown in current assets in the balance sheet.

## **Subsidiary**

An entity is a subsidiary of the reporting authority if:

- the authority is able to exercise control over the operating and financial policies of the entity, and
- the authority is able to gain benefits from the entity or is exposed to the risk of potential 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.

## **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.