

Statement of Accounts 2019/20



Contents

| | |
|-----------------------------------------------------------------------------------------------------|-----|
| Introduction | 4 |
| Narrative Report | 5 |
| Chief Finance Officer's Certificate and Statement of Responsibilities for the Statement of Accounts | 14 |
| Expenditure and Funding Analysis | 15 |
| Comprehensive Income and Expenditure Statement | 17 |
| Group Income and Expenditure Statement | 18 |
| Movement in Reserves Statement | 20 |
| Group Movement in Reserves Statement | 23 |
| Balance Sheet | 25 |
| Group Balance Sheet | 27 |
| Cash Flow Statement | 29 |
| Group Cash Flow Statement | 30 |
| Notes to the Accounts: | |
| 1. Accounting Policies | 31 |
| 2. Accounting standards that have been issued but have not yet been adopted | 53 |
| 3. Critical judgements in applying accounting policies | 54 |
| 4. Assumptions made about the future and other sources of estimation uncertainty | 55 |
| 5. Material items of income and expense | 59 |
| 6a) Note to the Expenditure and Funding Analysis | 59 |
| 6b) Segmental Income | 62 |
| 7. Expenditure and Income Analysed by Nature | 63 |
| 8. Adjustments Between Accounting Basis and Funding Basis Under Regulations | 63 |
| 9. Events After the Balance Sheet Date | 67 |
| 10. Movements In Earmarked Reserves | 68 |
| 11. Other Operating Expenditure | 69 |
| 12. Financing and Investment Income and Expenditure | 69 |
| 13. Taxation and Non Specific Grant Income | 69 |
| 14. Property, Plant and Equipment | 70 |
| 15. Heritage Assets | 82 |
| 16. Investment Properties | 83 |
| 17. Financial Instruments | 87 |
| 18. Short Term Debtors | 92 |
| 19. Cash and Cash Equivalents | 92 |
| 20. Short Term Creditors | 92 |
| 21. Provisions | 93 |
| 22. Unusable Reserves | 94 |
| 23. Cash Flow Statement - Operating Activities | 98 |
| 24. Reconciliation of Liabilities arising from Financing Activities | 99 |
| 25. Trading Operations | 100 |
| 26. Members' Allowances | 100 |

Contents

| | |
|-------------------------------------------------------------------|-----|
| 27. Officers' Remuneration | 101 |
| 28. Grant Income | 110 |
| 29. Related Parties | 111 |
| 30. Group Accounts | 117 |
| 31. Capital Expenditure and Capital Financing | 119 |
| 32. Termination Benefits | 120 |
| 33. Pension Schemes Accounted For As Defined Contribution Schemes | 120 |
| 34. Defined Benefit Pension Schemes | 121 |
| 35. Contingent Liabilities | 129 |
| 36. Council Tax | 132 |
| 37. National Non-Domestic Rates (NNDR) | 133 |
| 38. Nature and extent of risks arising from Financial Instruments | 133 |
| Housing Revenue Account Income and Expenditure Statement | 139 |
| Movement on the HRA Balance | 140 |
| Notes to the Housing Revenue Account: | |
| 1. Housing Stock | 141 |
| 2. Capital expenditure | 141 |
| 3. Depreciation charges and impairment | 141 |
| Annual Governance Statement 2019/20 | 142 |
| Glossary of Terms | 172 |

Introduction



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

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

Approximately 246,500 people live within the boundaries of the Council of which:

- 42,000 are aged under 16
- 55,500 are of pensionable age
- 22,300 are aged 75 years and over



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

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

Copies of these accounts can be obtained from:

Chief Finance Officer
Swansea Council
Guildhall
Swansea
SA1 4PE

Narrative Report

The main elements of this Statement of Accounts comprise:-

- * The Expenditure and Funding Analysis which shows how annual expenditure is used and funded from resources by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates.
- * The Comprehensive Income and Expenditure Statement, which shows the income from, and spending on, Authority services for the year. It also shows how much money we get from the Welsh Government, business ratepayers and Council taxpayers together with the net deficit/surplus for the year.
- * The Movement in Reserves Statement which shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- * The Balance Sheet, showing a snapshot of the Authority's financial position at the 31st March 2020.
- * The Cash Flow Statement, which shows transactions for the year on a cash basis rather than on an accruals basis.
- * The notes to the accounts, incorporating the main accounting policies which show the basis on which we have prepared the accounts and the accounting principles the Authority has adopted. The notes also offer further analysis of items appearing in the main financial statements.
- * The Housing Revenue Account (HRA) Income and Expenditure Statement, which shows income from, and spending on, Council housing for the year. This account is stated separately as required by statute although the overall results are incorporated into the Authority's Comprehensive Income and Expenditure Statement.
- * The Group Accounts, which show the consolidated accounts of the Authority and its group companies.
- * The Certificate and Statement of Responsibilities of the Chief Finance Officer who is the responsible officer for the production of the statement.
- * The Annual Governance Statement, which gives an indication of the arrangements for and effectiveness of internal control procedures within the Authority.
- * The auditor's opinion and certificate relating to the Statement of Accounts.

Narrative Report

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

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

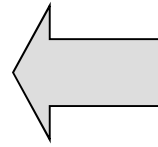
Capital expenditure covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing, capital grants and the sale of fixed assets. Amounts borrowed for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

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

Narrative Report

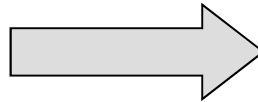
Revenue spending in 2019/2020

| | £'m | % |
|---------------------------------------------------------|--------------|------------|
| Revenue support grant | 242.2 | 30 |
| Non domestic rates | 80.0 | 10 |
| Council tax (including Reduction Scheme) | 123.7 | 15 |
| Other income (rents, fees and charges, specific grants) | 373.8 | 45 |
| | 819.7 | 100 |



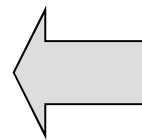
Where our money comes from

What we spend it on



| | £'m | % |
|-------------------|--------------|------------|
| Employees | 372.5 | 45 |
| Capital charges | 36.4 | 4 |
| Running costs | 364.7 | 44 |
| Precepts/Levies | 37.7 | 5 |
| Reserve transfers | 8.4 | 2 |
| | 819.7 | 100 |

| | £'m | % |
|-------------------------------|--------------|------------|
| Resources | 108.9 | 13 |
| People - Social Services | 194.5 | 24 |
| People - Education | 251.7 | 31 |
| Place | 191.8 | 23 |
| Housing Revenue Account (HRA) | 34.4 | 4 |
| Reserve transfers | 8.4 | 2 |
| Other | 30.0 | 3 |
| | 819.7 | 100 |



And the services it provides

The reserve transfers of £8.4m are the revenue reserve transfers in 2019/20 which include the General Fund, Housing Revenue Account and Earmarked Reserves.

Narrative Report

Authority services

The revenue outturn position of the Authority for 2019/20 resulted in a decrease in expenditure on services of £7.474m compared to adjusted budget, boosted especially by a one off settlement of outstanding debts with the local health board over shared care responsibilities. In addition, the revenue outturn position reflects a further £1.695m of one off expenditure on an invest to save basis, that was partly met from the Authority's contingency and restructuring funds primarily to fund early retirement and voluntary redundancy costs as the Authority seeks to reduce its underlying operating costs and adjust to future likely grant levels.

The underlying spend on Services reflects forecast and known pressures, within especially both Social Services and Education budgets, which have been partly reflected in 2020/21 budget proposals.

The 2020/21 budget proposals have been rapidly overtaken by events given the Covid-19 pandemic and short term spending has increased substantially, savings plans put on hold, and income will be materially lower than forecast across all Council functions. The financial outlook thus remains incredibly uncertain for the Council.

Other budget variations

Other budget savings during the year arose from reductions in capital repayments and interest charges (£7.412m). The MRP (Minimum Revenue Provision) Policy was reviewed in 2018-19 and Council approved a change in MRP Policy which helped lower capital repayment charges in the short to medium-term. In line with the Council's agreed reserve policy, the whole capital financing underspend has been transferred to a capital equalisation reserve.

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

Housing Revenue Account

The Housing Revenue Account of the Authority is a ring fenced account dealing exclusively with income and expenditure arising from the Authority's housing stock. For 2019/20 there was a net decrease in HRA reserves at year end of £0.815m (2018/19 net decrease £0.625m).

Details of the annual Revenue, Capital and HRA outturn reports can be found on the agenda of the Council's Cabinet for the meeting on 16th July 2020.

Narrative Report

Capital spending in 2019/2020

| | £'000 |
|-----------------------------|----------------|
| External borrowing | 49,314 |
| Government grants | 37,894 |
| Other grants/contributions | 1,761 |
| Capital receipts | 5,142 |
| Revenue and reserves | 31,243 |
| Financing of previous years | 1,205 |
| | 126,559 |

Where our money comes from

What services we spend it on

| | £'000 |
|-----------------|----------------|
| Resources | 1,792 |
| Place Services | 113,050 |
| People Services | 11,717 |
| | 126,559 |

Some of the assets it provided

| | £'000 | | £'000 |
|-----------------------------------------------------|--------|---------------------------------------------------------------|-------|
| People Services: Education | | Kingsway Digital Offices | 903 |
| Pentrefafod Comp remodelling | 539 | Palace Theatre | 578 |
| EOTAS new build | 3,777 | Housing (General Fund) | |
| Gorseinon Primary | 3,887 | Housing Disabled Facilities Grants | 4,600 |
| Place Services: Housing (HRA) | | Sandfields Renewal Area | 655 |
| HRA More Homes programme | 3,871 | Highways and Transportation | |
| HRA refurbishment (includes kitchens and bathrooms) | 25,068 | Carriageways & Footways | 4,518 |
| HRA Adaptation works | 3,137 | Local Transport Network fund schemes and Local Transport Fund | 1,100 |
| HRA Energy Efficiency and Fire Safety | 2,357 | Active Travel Schemes | 3,210 |
| HRA Wind & Weatherproofing (includes Hi-rise flats) | 6,170 | Bascule Bridge | 745 |
| HRA Regeneration | 3,833 | Other Services | |
| HRA landscaping and enhancement | 5,666 | Leisure Centre improvements | 3,453 |
| Economic Development | | Other Buildings Capital Maintenance | 1,790 |
| The Kingsway Urban Park | 3,404 | School capital maintenance | 5,697 |
| City Centre Redevelopment - Swansea Central Phase 1 | 20,789 | Resources | |
| TRI regeneration schemes | 2,442 | Digital - laptops and accessories | 1,140 |

Narrative Report

The Authority maintains a number of provisions and reserves. Provisions are disclosed in Note 21 on pages 96 and 97. The information regarding reserves are disclosed in the Movement in Reserves Statement on pages 20 to 24 and Note 10 on page 68.

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 2020.

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

At the end of the year, the Authority's revenue reserve balances amounted to £99.093m (2018/19 £83.178m).

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 2020 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 2019/20 relates to the valuation undertaken on 31st March 2016.

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

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

Narrative Report

The Pension Fund Deficit at 31st March 2020 is £840.950m (31st March 2019 £823.404m).

Group Accounts

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

Leisure Trust

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

Plantasia

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

Changes in the form and content of the Statement

The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. The code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement also complies with the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2018.

The Authority has changed the disclosure notes for short term debtors and short term creditors to provide a detailed analysis across public sector organisations. The disclosure notes for 2018/19 have been restated to reflect these changes.

During the year, the Authority has changed the internal management reporting structure. The reporting segments in the Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statement, Group Comprehensive Income and Expenditure Statement and notes to the Expenditure and Funding Analysis have been amended to reflect the new internal management reporting structure. The main statements and disclosure notes for 2018/19 have been restated to reflect the changes.

Narrative Report

Financial outlook for the Authority.

On 5th March 2020 the Authority approved a medium term financial plan which highlighted potential revenue shortfalls rising from £13.4m in 2021/22 to £34.3m in 2023/24 reflecting higher expected future grant settlements.

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

Notwithstanding the information contained within the medium term financial plan, it is clear that the financial outlook for the Authority is hugely dependent upon the scale of Central Government funding and support for both Revenue and Capital expenditure. The Authority is likely to still be under pressure in real terms in the short/medium term, despite UK Government comments indicating an end to austerity. We await with interest the outcome of the delayed Comprehensive Spending Review in 2020. Equally the Authority continues to have ambitious plans to invest substantially in its capital infrastructure, a significant part of which will need to be financed from its own revenue resources, as well as from wider stakeholders including, but not limited to, the Swansea Bay City Region Deal.

Whilst the precise details of funding available for 2021/22 and beyond have not been announced current indications are that some continued reduction in real terms funding is quite feasible when price, pay and demand pressures are factored in. Equally if sustained substantial cash funding increases are replicated, then there will be investment and service enhancement choices to be made. The Authority is already undertaking work to plan for all scenarios.

The Authority continues to face a challenging agenda following the introduction of an equal pay compliant pay and grading structure, development of regional partnership arrangements in line with Welsh Government policy, and compliance with any legislative and other changes, especially around the Wellbeing of Future Generations, the Environment Act and Education Additional Learning Needs.

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

Narrative Report

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

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

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

There remains inherent uncertainty arising from the prolonged Brexit transition process at national level. This has the potential to leave greater uncertainty over future prices, interest rates, value of investments, financial obligations and a wide range of regulatory and contractual arrangements. The European Union (Withdrawal Agreement) Act 2020 passed parliament and the UK left the EU on 31st January 2020. Under the negotiated withdrawal agreement, the UK–EU relationship will enter a transition period from 1st February. The transition period ends on 31st December 2020 and new rules will take effect on 1st January 2021. It can be extended once, by up to one to two years. Such a decision must be taken jointly by the EU and United Kingdom before 1st July 2020. During the Transition Period, the United Kingdom is no longer a Member State of the European Union, however all EU law is still applicable to the United Kingdom. The United Kingdom continues to participate in EU programmes and to contribute to the Union's budget covering the period 2014-2020.

Towards the end of the financial year the Authority in line with actions around the whole world was repurposed to respond to the growing Covid-19 pandemic as an emergency responder to save lives and keep essential services running.

Costs incurred at this stage, future costs, plus income foregone now, and for the immediate future, and the impact across all operations, and partners, including UK and Welsh Governments cannot be assessed with any accuracy at year end but are bound to be very substantial for Swansea Council alone (expected to be many tens of millions of pounds). It will have a profound and material impact on the coverage of the accounts, their completeness, timeliness and accuracy.

Further information

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

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

I hereby certify that the statement of accounts on pages 4 to 141 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 31st March 2020.

Ben Smith
Chief Finance Officer



18.05.2020

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer, namely the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

Date of Authorisation for Issue

The 2019/20 Statement of Accounts was authorised for issue on xx xxxxxxxx 2020 by Ben Smith, Chief Finance Officer who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

The 2019/20 Statement of Accounts was formally approved by Council on xx xxxxxxxx 2020.

Des Thomas
Chairman

Expenditure and Funding Analysis

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

| Restated 2018/19 | | | | 2019/20 | | |
|-----------------------------------------------------------------|-----------------------|-----------------------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------|-----------------------|-----------------------------------------------------------------------|
| Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments (Note 6a) | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments (Note 6a) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 44,301 | 20,121 | 64,422 | Resources | 43,967 | -12,402 | 31,565 |
| 118,695 | 6,263 | 124,958 | People - Social Services | 115,215 | 8,968 | 124,183 |
| 166,480 | 20,095 | 186,575 | People - Education | 171,813 | 24,612 | 196,425 |
| 53,952 | 26,991 | 80,943 | Place | 53,050 | 40,038 | 93,088 |
| -38,460 | 6,773 | -31,687 | Housing Revenue Account (HRA) | -40,442 | 6,908 | -33,534 |
| 344,968 | 80,243 | 425,211 | Net Cost of Services | 343,603 | 68,124 | 411,727 |
| -352,931 | -45,472 | -398,403 | Other Income and Expenditure | -359,518 | -56,385 | -415,903 |
| -7,963 | 34,771 | 26,808 | (Surplus) or Deficit on Provision of Services | -15,915 | 11,739 | -4,176 |

Expenditure and Funding Analysis

| General Fund and HRA | | | | General Fund and HRA | | |
|-------------------------|--|--|---------------------------------------------|-------------------------|--|--|
| -75,215 | | | Opening Balance as at 1 April | -83,178 | | |
| -7,963 | | | Less/Plus Surplus or Deficit | -15,915 | | |
| -83,178 | | | Closing Balance as at 31 March * | -99,093 | | |

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

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| Restated 2018/19 | | | | Note | 2019/20 | | |
|-------------------|-----------------|-----------------|--------------------------------------------------------------------------|------|-------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | | £'000 | £'000 | £'000 |
| 148,766 | -84,344 | 64,422 | Resources | | 108,871 | -77,306 | 31,565 |
| 188,064 | -63,106 | 124,958 | People - Social Services | | 194,488 | -70,305 | 124,183 |
| 236,315 | -49,740 | 186,575 | People - Education | | 251,667 | -55,242 | 196,425 |
| 178,276 | -97,333 | 80,943 | Place | | 191,817 | -98,729 | 93,088 |
| 34,225 | -65,912 | -31,687 | Housing Revenue Account (HRA) | | 34,361 | -67,895 | -33,534 |
| 785,646 | -360,435 | 425,211 | Cost of Services | | 781,204 | -369,477 | 411,727 |
| 34,671 | 0 | 34,671 | Other operating expenditure | 11 | 36,468 | 0 | 36,468 |
| 74,508 | -38,794 | 35,714 | Financing and investment income and expenditure | 12 | 79,923 | -36,613 | 43,310 |
| 0 | -468,788 | -468,788 | Taxation and non-specific grant income | 13 | 0 | -495,681 | -495,681 |
| | | 26,808 | (Surplus)/Deficit on Provision of Services | | | | -4,176 |
| | | 31,173 | (Surplus)/Deficit on revaluation of Property, Plant and Equipment assets | 22 | | | -11,825 |
| | | 49,260 | Remeasurement of the net defined benefit liability/(asset) | 22 | | | -23,210 |
| | | 80,433 | Other Comprehensive Income and Expenditure | | | | -35,035 |
| | | 107,241 | Total Comprehensive Income and Expenditure | | | | -39,211 |

The service expenditure analysis has been restated for 2018/19 following changes to how the Authority reports internally on budget, budget monitoring and revenue outturn.

Group Income and Expenditure Statement

| Restated 2018/19 | | | | 2019/20 | | |
|-------------------|-----------------|-----------------|-----------------------------------------------------------------------------------------------|-------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 148,766 | -84,344 | 64,422 | Resources | 108,871 | -77,306 | 31,565 |
| 188,064 | -63,106 | 124,958 | People - Social Services | 194,488 | -70,305 | 124,183 |
| 236,315 | -49,740 | 186,575 | People - Education | 251,667 | -55,242 | 196,425 |
| 178,307 | -97,332 | 80,975 | Place | 191,817 | -98,729 | 93,088 |
| 34,225 | -65,912 | -31,687 | Housing Revenue Account (HRA) | 34,361 | -67,895 | -33,534 |
| 785,677 | -360,434 | 425,243 | Cost of Services | 781,204 | -369,477 | 411,727 |
| 34,671 | 0 | 34,671 | Other operating expenditure | 36,468 | 0 | 36,468 |
| 74,508 | -38,794 | 35,714 | Financing and investment income and expenditure | 79,923 | -36,613 | 43,310 |
| 0 | -468,788 | -468,788 | Taxation and non-specific grant income | 0 | -495,681 | -495,681 |
| | | 26,840 | (Surplus) or Deficit on Provision of Services | | | -4,176 |
| | | 308 | Share of the surplus or deficit on the provision of services by associates and joint ventures | | | 362 |
| | | 27,148 | Group (Surplus)/Deficit | | | -3,814 |
| | | 30,328 | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | | | -13,982 |

Group Income and Expenditure Statement

| Restated 2018/19 | | | | 2019/20 | | |
|-------------------|--------------|-----------------|----------------------------------------------------------|-------------------|--------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| | | 49,260 | Actuarial losses / gains on pension assets / liabilities | | | -23,210 |
| | | 79,588 | Other Comprehensive Income and Expenditure | | | -37,192 |
| | | 106,736 | Total Comprehensive Income and Expenditure | | | -41,006 |

Movement in Reserves Statement

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

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

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

Movement in Reserves Statement

| 2018/19 | Note | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|------------------------------------------------------------------------|------|-------------------------------|---------------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|
| Balance at 31 March 2018 carried forward | | 9,352 | 59,082 | 6,781 | 6,454 | 13,474 | 95,143 | 255,178 | 350,321 |
| <u>Movement in reserves during 2018/19</u> | | | | | | | | | |
| (Deficit) on the provision of services | | -58,300 | 0 | 31,492 | 0 | 0 | -26,808 | 0 | -26,808 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | -80,433 | -80,433 |
| Total Comprehensive Income and Expenditure | | -58,300 | 0 | 31,492 | 0 | 0 | -26,808 | -80,433 | -107,241 |
| Adjustments between accounting basis & funding basis under regulations | 8 | 66,888 | 0 | -32,117 | 2,856 | 1,981 | 39,608 | -39,608 | 0 |
| Net Decrease/Increase before Transfers to Earmarked Reserves | | 8,588 | 0 | -625 | 2,856 | 1,981 | 12,800 | -120,041 | -107,241 |
| Transfers from/to Earmarked Reserves | 10 | -8,588 | 8,588 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/Decrease in 2018/19 | | 0 | 8,588 | -625 | 2,856 | 1,981 | 12,800 | -120,041 | -107,241 |
| Balance at 31 March 2019 carried forward | | 9,352 | 67,670 | 6,156 | 9,310 | 15,455 | 107,943 | 135,137 | 243,080 |

Movement in Reserves Statement

| 2019/20 | Note | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|------------------------------------------------------------------------|------|-------------------------------|---------------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|
| Balance at 31 March 2019 | | 9,352 | 67,670 | 6,156 | 9,310 | 15,455 | 107,943 | 135,137 | 243,080 |
| <u>Movement in reserves during 2019/20</u> | | | | | | | | | |
| Surplus on the provision of services | | -28,914 | 0 | 33,090 | 0 | 0 | 4,176 | 0 | 4,176 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 35,035 | 35,035 |
| Total Comprehensive Income and Expenditure | | -28,914 | 0 | 33,090 | 0 | 0 | 4,176 | 35,035 | 39,211 |
| Adjustments between accounting basis & funding basis under regulations | 8 | 45,644 | 0 | -33,905 | -2,937 | 5,588 | 14,390 | -14,390 | 0 |
| Net Decrease/Increase before Transfers to Earmarked Reserves | | 16,730 | 0 | -815 | -2,937 | 5,588 | 18,566 | 20,645 | 39,211 |
| Transfers from/to Earmarked Reserves | 10 | -16,730 | 16,730 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/Decrease in 2019/20 | | 0 | 16,730 | -815 | -2,937 | 5,588 | 18,566 | 20,645 | 39,211 |
| Balance at 31 March 2020 carried forward | | 9,352 | 84,400 | 5,341 | 6,373 | 21,043 | 126,509 | 155,782 | 282,291 |

Group Movement in Reserves Statement

| 2018/19 | Note | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 | Authority's Share of Subsidiaries, Associates and Joint Ventures £'000 | Total Group Reserves £'000 |
|------------------------------------------------------------------------|------|-------------------------------|------------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|---------------------------------------------------------------------------|-------------------------------|
| Balance at 31 March 2018 | | 9,352 | 59,082 | 6,781 | 6,454 | 13,474 | 95,143 | 255,178 | 350,321 | 21,402 | 371,723 |
| <u>Movement in reserves during 2018/19</u> | | | | | | | | | | | |
| (Deficit) on the provision of services | | -58,300 | 0 | 31,492 | 0 | 0 | -26,808 | 0 | -26,808 | -340 | -27,148 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | -80,433 | -80,433 | 845 | -79,588 |
| Total Comprehensive Income and Expenditure | | -58,300 | 0 | 31,492 | 0 | 0 | -26,808 | -80,433 | -107,241 | 505 | -106,736 |
| Adjustments between group accounts & authority accounts | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustments between accounting basis & funding basis under regulations | 8 | 66,888 | 0 | -32,117 | 2,856 | 1,981 | 39,608 | -39,608 | 0 | 0 | 0 |
| Net Decrease/Increase before Transfers to Earmarked Reserves | | 8,588 | 0 | -625 | 2,856 | 1,981 | 12,800 | -120,041 | -107,241 | 505 | -106,736 |
| Transfers from/to Earmarked Reserves | 10 | -8,588 | 8,588 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/Decrease in 2018/19 | | 0 | 8,588 | -625 | 2,856 | 1,981 | 12,800 | -120,041 | -107,241 | 505 | -106,736 |
| Balance at 31 March 2019 carried forward | | 9,352 | 67,670 | 6,156 | 9,310 | 15,455 | 107,943 | 135,137 | 243,080 | 21,907 | 264,987 |

Group Movement in Reserves Statement

| 2019/20 | Note | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 | Authority's Share of Subsidiaries, Associates and Joint Ventures £'000 | Total Group Reserves £'000 |
|------------------------------------------------------------------------|------|-------------------------------|------------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|---------------------------------------------------------------------------|-------------------------------|
| Balance at 31 March 2019 | | 9,352 | 67,670 | 6,156 | 9,310 | 15,455 | 107,943 | 135,137 | 243,080 | 21,907 | 264,987 |
| <u>Movement in reserves during 2019/20</u> | | | | | | | | | | | |
| Surplus on the provision of services | | -28,914 | 0 | 33,090 | 0 | 0 | 4,176 | 0 | 4,176 | -362 | 3,814 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 35,035 | 35,035 | 2,157 | 37,192 |
| Total Comprehensive Income and Expenditure | | -28,914 | 0 | 33,090 | 0 | 0 | 4,176 | 35,035 | 39,211 | 1,795 | 41,006 |
| Adjustments between group accounts & authority accounts | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustments between accounting basis & funding basis under regulations | 8 | 45,644 | 0 | -33,905 | -2,937 | 5,588 | 14,390 | -14,390 | 0 | 0 | 0 |
| Net Decrease/Increase before Transfers to Earmarked Reserves | | 16,730 | 0 | -815 | -2,937 | 5,588 | 18,566 | 20,645 | 39,211 | 1,795 | 41,006 |
| Transfers from/to Earmarked Reserves | 10 | -16,730 | 16,730 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/Decrease in 2019/20 | | 0 | 16,730 | -815 | -2,937 | 5,588 | 18,566 | 20,645 | 39,211 | 1,795 | 41,006 |
| Balance at 31 March 2020 carried forward | | 9,352 | 84,400 | 5,341 | 6,373 | 21,043 | 126,509 | 155,782 | 282,291 | 23,702 | 305,993 |

Balance Sheet

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

| 31 March 2019 £'000 | | Note | 31 March 2020 £'000 |
|---------------------------|------------------------------------------|------|---------------------------|
| 373,917 | Council Dwellings | 14 | 431,332 |
| 645,285 | Other Land and Buildings | 14 | 614,700 |
| 7,311 | Vehicles, Plant, Furniture and Equipment | 14 | 10,359 |
| 240,766 | Infrastructure Assets | 14 | 237,329 |
| 9,383 | Community Assets | 14 | 8,995 |
| 82,483 | Surplus Assets | 14 | 82,534 |
| 21,393 | Assets under Construction | 14 | 72,272 |
| 1,380,538 | Property, Plant & Equipment | | 1,457,521 |
| 30,303 | Heritage Assets | 15 | 31,733 |
| 57,758 | Investment Properties | 16 | 55,805 |
| 225 | Intangible Assets | | 456 |
| 119 | Long Term Investments | 17 | 114 |
| 3,724 | Long Term Debtors | 17 | 4,067 |
| 1,472,667 | Long Term Assets | | 1,549,696 |
| 121,772 | Short Term Investments | 17 | 67,603 |
| 4,800 | Assets Held for Sale | | 4,200 |
| 2,156 | Inventories | | 2,444 |
| 49,212 | Short Term Debtors | 18 | 81,970 |
| 47,237 | Cash and Cash Equivalents | 19 | 56,933 |
| 225,177 | Current Assets | | 213,150 |
| -6,870 | Short Term Borrowing | 17 | -10,891 |
| -55,636 | Short Term Creditors | 20 | -60,571 |
| -2,263 | Provisions | 21 | -2,691 |
| 0 | Capital Grants Receipts in Advance | | -352 |
| -64,769 | Current Liabilities | | -74,505 |

Balance Sheet

| 31 March 2019 £'000 | | Note | 31 March 2020 £'000 |
|---------------------------|-----------------------------------------|------|---------------------------|
| -2,516 | Long Term Creditors | 17 | -2,602 |
| -9,702 | Provisions | 21 | -10,105 |
| -554,373 | Long Term Borrowing | 17 | -552,393 |
| -823,404 | Other Long Term Liabilities | 34 | -840,950 |
| -1,389,995 | Long Term Liabilities | | -1,406,050 |
| 243,080 | NET ASSETS | | 282,291 |
| | Financed by: | | |
| 9,352 | Balances - General Fund | | 9,352 |
| 6,156 | Balances - Housing Revenue Account | 10 | 5,341 |
| 9,310 | Capital Receipts Reserve | | 6,373 |
| 15,455 | Capital Grants Unapplied Account | | 21,043 |
| 67,670 | Earmarked Reserves | 10 | 84,400 |
| 107,943 | Usable Reserves | | 126,509 |
| 379,632 | Revaluation Reserve | 22 | 373,016 |
| -823,404 | Pensions Reserve | 22 | -840,950 |
| 589,739 | Capital Adjustment Account | 22 | 635,519 |
| -2,252 | Financial Instrument Adjustment Account | | -2,303 |
| -8,578 | Accumulated Absences Account | 22 | -9,500 |
| 135,137 | Unusable Reserves | | 155,782 |
| 243,080 | TOTAL RESERVES | | 282,291 |

Group Balance Sheet

| 31 March 2019 £'000 | | Note | 31 March 2020 £'000 |
|---------------------------|----------------------------------------------|------|---------------------------|
| 373,917 | Council Dwellings | 14 | 431,332 |
| 645,285 | Other Land and Buildings | 14 | 614,701 |
| 7,311 | Vehicles, Plant, Furniture and Equipment | 14 | 10,359 |
| 240,766 | Infrastructure Assets | 14 | 237,329 |
| 9,383 | Community Assets | 14 | 8,995 |
| 82,483 | Surplus Assets | 14 | 82,534 |
| 21,393 | Assets under Construction | 14 | 72,272 |
| 1,380,538 | Property, Plant & Equipment | | 1,457,522 |
| 30,303 | Heritage Assets | 15 | 31,733 |
| 57,758 | Investment Properties | 16 | 55,804 |
| 225 | Intangible Assets | | 456 |
| 119 | Long Term Investments | 17 | 114 |
| 21,907 | Investments in Associates and Joint Ventures | | 23,702 |
| 3,724 | Long Term Debtors | 17 | 4,067 |
| 1,494,574 | Long Term Assets | | 1,573,398 |
| 121,772 | Short Term Investments | 17 | 67,603 |
| 4,800 | Assets Held for Sale | | 4,200 |
| 2,156 | Inventories | | 2,444 |
| 49,212 | Short Term Debtors | 18 | 81,970 |
| 47,237 | Cash and Cash Equivalents | 19 | 56,933 |
| 225,177 | Current Assets | | 213,150 |
| -6,870 | Short Term Borrowing | 17 | -10,891 |
| -55,636 | Short Term Creditors | 20 | -60,571 |
| -2,263 | Provisions | 21 | -2,691 |
| 0 | Capital Grants Receipts in Advance | | -352 |
| -64,769 | Current Liabilities | | -74,505 |
| -2,516 | Long Term Creditors | 17 | -2,602 |
| -9,702 | Provisions | 21 | -10,105 |
| -554,373 | Long Term Borrowing | 17 | -552,393 |
| -823,404 | Other Long Term Liabilities | 34 | -840,950 |
| -1,389,995 | Long Term Liabilities | | -1,406,050 |
| 264,987 | NET ASSETS | | 305,993 |

Group Balance Sheet

| 31 March 2019 £'000 | | Note | 31 March 2020 £'000 |
|---------------------------|-----------------------------------------|------|---------------------------|
| | Financed by: | | |
| 20,927 | Balances - General Fund | | 20,565 |
| 6,156 | Balances - Housing Revenue Account | 10 | 5,341 |
| 9,310 | Capital Receipts Reserve | | 6,373 |
| 15,455 | Capital Grants Unapplied Account | | 21,043 |
| 67,670 | Earmarked Reserves | 10 | 84,400 |
| 119,518 | Usable Reserves | | 137,722 |
| 389,964 | Revaluation Reserve | 22 | 385,505 |
| -823,404 | Pensions Reserve | 22 | -840,950 |
| 589,739 | Capital Adjustment Account | 22 | 635,519 |
| -2,252 | Financial Instrument Adjustment Account | | -2,303 |
| -8,578 | Accumulated Absences Account | 22 | -9,500 |
| 145,469 | Unusable Reserves | | 168,271 |
| 264,987 | TOTAL RESERVES | | 305,993 |

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.

| 2018/19 £'000 | | Note | 2019/20 £'000 |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------|------------------|
| -26,808 | Net surplus or (deficit) on the provision of services | | 4,176 |
| 107,826 | Adjustments to net surplus or (deficit) on the provision of services for non-cash movements | 23 | 65,975 |
| -34,775 | Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities | 23 | -47,044 |
| 46,243 | Net cash flows from operating activities | | 23,107 |
| -89,802 | Purchase of property, plant and equipment, investment property and intangible assets | | -118,051 |
| -1,063,151 | Purchase of short-term and long-term investments | | -1,259,477 |
| 3,896 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | | 2,118 |
| 966,884 | Proceeds from short-term and long-term investments | | 1,313,651 |
| 34,775 | Other receipts from investing activities | | 47,044 |
| -147,398 | Net cash flows from investing activities | | -14,715 |
| 124,114 | Cash receipts of short-term and long-term borrowing | | 1,953 |
| -29,675 | Repayments of short-term and long-term borrowing | | -649 |
| 94,439 | Net cash flows from financing activities | 24 | 1,304 |
| -6,716 | Net (decrease) or increase in cash and cash equivalents | | 9,696 |
| 53,953 | Cash and cash equivalents at the beginning of the reporting period | | 47,237 |
| 47,237 | Cash and cash equivalents at the end of the reporting period | 19 | 56,933 |

Group Cash Flow Statement

| 2018/19 £'000 | | Note | 2019/20 £'000 |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------|------|------------------|
| -26,840 | Net surplus or (deficit) on the provision of services | | 4,176 |
| 107,827 | Adjustments to net surplus or (deficit) on the provision of services for non-cash movements | 23 | 65,975 |
| -34,775 | Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities | 23 | -47,044 |
| 46,212 | Net cash flows from operating activities | | 23,107 |
| -89,802 | Purchase of property, plant and equipment, investment property and intangible assets | | -118,051 |
| -1,063,151 | Purchase of short-term and long-term investments | | -1,259,477 |
| 3,896 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | | 2,118 |
| 966,884 | Proceeds from short-term and long-term investments | | 1,313,651 |
| 34,775 | Other receipts from investing activities | | 47,044 |
| -147,398 | Net cash flows from investing activities | | -14,715 |
| 124,114 | Cash receipts of short-term and long-term borrowing | | 1,953 |
| -29,675 | Repayments of short-term and long-term borrowing | | -649 |
| 94,439 | Net cash flows from financing activities | 24 | 1,304 |
| -6,747 | Net (decrease) or increase in cash and cash equivalents | | 9,696 |
| 53,984 | Cash and cash equivalents at the beginning of the reporting period | | 47,237 |
| 47,237 | Cash and cash equivalents at the end of the reporting period | 19 | 56,933 |

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020.

The Authority is required to prepare an annual Statement of Accounts by virtue of the Accounts and Audit (Wales) (Amendment) Regulations 2018. These regulations require the Accounts to be prepared in accordance with proper accounting practices.

These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

The CIPFA Code of Practice on Local Authority Accounting 2019/20 requires that Group Accounting Statements have to be prepared, consolidating the accounts of the parent and any subsidiary, associate or joint undertakings. An assessment of the activities and interests of Swansea Council has been undertaken, which has determined that the Swansea Council Group consists of the Local Authority as the parent, and the following companies:

| | |
|------------------------------------------------------|---------------|
| Wales National Pool Swansea (WNPS) | Joint Venture |
| National Waterfront Museum Swansea (NWMS) | Joint Venture |
| Swansea Community Energy & Enterprise Scheme (SCEES) | Associate |

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

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

The Accounts are prepared on a going concern basis.

Notes to the Accounts

ii. Accruals of Income and Expenditure

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

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

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure in the main on the basis of the effective interest rate for the relevant financial instrument.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

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

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

Notes to the Accounts

iv. Exceptional Items

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

v. Changes in Accounting Policies and Estimates and Errors

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

As part of a review of Property, Plant and Equipment changes in assumptions have been made regarding the remaining useful lives of some other land and building assets during 2019/20.

Where appropriate, consideration has been given to the estimated useful life of individual asset components (primarily electrical, mechanical, and fabric); revenue charges for depreciation reflect the differing useful lives of asset components for other land and building assets revalued as per the Authority's rolling programme between 1st April 2010 and 31st March 2016. Revenue charges for depreciation on assets, revalued as per the rolling programme from 1st April 2016, will be charged on the building component of Other Land and Buildings assets. Annual depreciation has been charged on opening balances from 1st April 2017.

vi. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible assets attributable to the service, based on any intangible asset held subject to the de minimis policy on capitalisation set out in note xvi.

Notes to the Accounts

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post Employment Benefits

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

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

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

Notes to the Accounts

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

The Local Government Pension Scheme

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

- The liabilities of the Swansea Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds as required by IAS 19.
- The assets of the Swansea Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - industry accepted techniques
 - unitised securities - current bid price
 - property - market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Notes to the Accounts

- Remeasurements comprising:
 - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Swansea Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme. No such discretionary powers were used during the year.

viii. Events After the Balance Sheet Date

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

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

Notes to the Accounts

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

ix. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

There are three main classes of financial assets measured at:

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

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

Notes to the Accounts

Financial Assets Measured at Amortised Cost

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

However, the Authority has made loans to voluntary organisations and third parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Expected Credit Loss Model

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

Notes to the Accounts

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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

Notes to the Accounts

x. Government Grants and Contributions

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

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

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

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

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

xi. Heritage Assets

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

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

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

Notes to the Accounts

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

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

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

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

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

xii. Interests in Companies and Other Entities

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

xiii. Investment Property

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

Notes to the Accounts

Investment properties are measured initially at cost (in accordance with the Council's de minimis policy for capitalisation as set out in note xvi) and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Jointly Controlled Operations and Jointly Controlled Assets

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

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

xv. Leases

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

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

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

Notes to the Accounts

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Notes to the Accounts

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

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

Notes to the Accounts

Operating Leases

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

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

xvi. Property, Plant and Equipment

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

Recognition

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

The Council maintains a de minimis value of £20,000 for any asset (or group of similar assets) to be capitalised within the General Fund.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price,
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Notes to the Accounts

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the comprehensive income and expenditure statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement.

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

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

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

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

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

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

- for a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Notes to the Accounts

- 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 charge is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). From 1st April 2017 the Authority charges depreciation based on opening balances.

Depreciation is calculated on the following bases:

- dwellings - straight-line allocation over the estimated useful life of the property (30 to 80 years),
- non traditional dwellings - straight-line allocation over the estimated useful life of the property (30 years),
- other buildings - straight-line allocation over the estimated useful life of the property and, where applicable, its significant components (1 to 60 years),
- vehicles, plant, furniture and equipment - straight line allocation over the estimated useful life of the asset (2 to 10 years),

Notes to the Accounts

- infrastructure / community assets - straight-line allocation over the estimated useful life of the asset (20 to 40 years),
- surplus assets - per original allocated estimated useful life from original categorisation unless indication of amendments required to this assessment is apparent.

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

Component Accounting

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

1. Suitability of assets.

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

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

Only those elements that normally depreciate at a significantly different rate from the non land element as a whole, had been identified for componentisation. From 1st April 2016, the whole building element will be depreciated using the building fabric's useful life (unless evidence suggests this is to be amended).

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

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

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

Notes to the Accounts

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Such receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Notes to the Accounts

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

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

In 2019/20 the Council settled £27k of unequal pay claims (including composite payments to HMRC). During 2018/19 the Council settled unequal pay claims totalling £53k (including composite payments to HMRC). These were funded from existing provisions.

Contingent Liabilities

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

Notes to the Accounts

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

Contingent Assets

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

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

xviii. Reserves

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

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

xix. Revenue Expenditure Funded from Capital under Statute

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

xx. VAT

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

Notes to the Accounts

The Authority undertakes an annual review of its de-minimus VAT position under s33 of the VAT Act 1993 as required by HMRC. For the year ended 31st March 2020 the Authority believes that it will be below the de-minimus level in respect of exempt related input tax and hence will be entitled to recovery of input tax in full.

xxi. Fair Value Measurement of non-financial assets

The Authority's accounting policy for fair value measurement of financial assets is set out in note ix. The Authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or takes place either :

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

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

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

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

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date,

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly,

Level 3 - unobservable inputs for the asset.

xxii. Group Accounting Policies

The accounting policies for both City and County of Swansea and City and County of Swansea Group are materially aligned except for the valuation of assets in respect of the Wales National Pool Swansea. The assets of the Wales National Pool Swansea have been valued on a different basis within the company's accounts to that used by the Council for assets of this nature. For the purposes of the Group accounts, the National Pool has been separately valued by the Council in accordance with its own accounting policies. Full disclosure of the different valuations have been included on page 118 to the financial statements.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) has introduced accounting policy changes in relation to the following:

- a) Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- b) Annual Improvements to IFRS Standards 2015-2017 Cycle
- c) Amendments to IAS 19 Employee Benefits: Plan amendment, Curtailment or Settlement.

The adoption of the accounting standards mentioned above may incur amendments that can be made retrospectively by prior period restatement (if possible) or through the adjustment of opening balances as at 1st April 2020.

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

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

3. Critical judgements in applying accounting policies

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

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

- The medium term financial plan approved by the Authority on 5th March 2020 detailed significant ongoing uncertainty over forecast revenue funding shortfalls over the medium term. Indications were that there were a range of scenarios for funding which range from significant real terms reductions in support to broadly maintained real terms support from Central Government from 2021/22 onwards, following the national Spending Review. All spending and funding assumptions were set before the full substantial economic scale of the Covid 19 pandemic was fully apparent. 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.
- It remains entirely unclear as to the scale of additional spending, the loss of income, and the funding arrangements for reimbursement in part, or in full, that the Authority faces in responding both locally, with partners, and supporting the national strategic response to the Covid 19 pandemic. The impact was not directly financially material on the 2019-20 accounts but the national lock down arrangements and the prioritisation of the response to Covid 19 may have impaired our ability to fully prepare the accounts to our normally exceptionally high standards in line with accounting standards. Any necessary deviation caused will be disclosed separately throughout these accounts. The impact will be very financially material for the 2020-21 accounts (many tens of million of pounds) but its net impact is less clear: by way of exemplification our increased costs, and lost income, will far exceed available reserves so the presumption is that all, or the very vast bulk of all costs will be reimbursed by partners, Welsh Government or UK government through contributions or grant. The S151 officer triggered the necessary mechanisms for the Emergency Financial Assistance Scheme with Welsh Government in March 2020.
- The Authority implemented an equality compliant pay and grading structure for its employees from 1st April 2014. At the same time, the Authority continues to face a small and dwindling residual number of claims from past and existing employees based on equal pay grounds. In determining the extent of the resources to be set aside the Authority has made assumptions regarding the number of potential claimants and the potential value of their respective claims. The Authority is confident that it has sufficient resource to meet the remaining liabilities arising from equal pay issues.

Notes to the Accounts

- The Government has made fundamental changes in respect of the provision of public sector pensions. Changes to employer contribution rates in the Teachers' Pension Scheme rose to 23.68% from September 2019. Welsh Government block grant has helped alleviate this substantial pressure in 2019/20 and 2020/21, with future support dependent upon the Spending Review. A re-modelled Local Government Pension scheme was introduced from 1st April 2014 but there is no indication that the finances of the Authority will be adversely affected by any of the changes. The LGPS triennial valuation in 2019 has confirmed the affordability of future contribution rates. There remains significant uncertainty as to the impact of the UK Government losing the McCloud judgement and a prudent sum has been factored in by the actuary in the valuation results for the pension fund and individual employer contribution rates.
- In line with accounting standards the Authority has made a significant provision in respect of final remedial work and future maintenance/monitoring of its major waste disposal site at Tir John. Assumptions regarding remediation and aftercare costs have been based on legal requirements to monitor the site for a period of 60 years following closure and have been calculated taking into account commitments currently within the Council's Capital Programme.
- The Authority undertook a fundamental review in 2012/13 of its Schools portfolio with a view to both rationalising and significantly improving the quality of school premises available across the City and County (21st Century Schools Programme). In the light of this scheme and the outline timescale for implementation, the useful lives of some school buildings have been re-evaluated and considerably reduced from that previously used. The effect of this is to accelerate residual depreciation affecting both the Comprehensive Income and Expenditure Statement and the net book value as shown on the Balance Sheet. As the Schools Programme has progressed there has been further re-evaluations however there are no adjustments in 2019/20.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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.

Notes to the Accounts

The items in the Authority's Balance Sheet as at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming year are as follows:-

| Item | Uncertainties | Effect if actual results differ from assumptions |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Property, Plant and Equipment | <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 Council's strategic 21st Century Schools Programme plan for asset replacement.</p> <p>In addition revised useful lives have been applied to a number of assets during 2019/20 in line with professional judgement.</p> | <p>To the extent that useful lives have been determined inappropriately the result could be:-</p> <p>a) In the event of a further reduction in useful lives there would be an additional charge to revenue and a reduction in the carrying value of the asset.</p> <p>b) In the event that useful lives have been underestimated this would result in a substantially reduced revenue charge and an increase in the carrying value of such assets as and when the useful life is deemed to be extended.</p> <p>In any event the effect of depreciation is reversed out of the Comprehensive Income and Expenditure Statement to have nil effect on the Council taxpayer.</p> |
| Provisions | <p>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>Any shortfall in future years will have to be funded via the capital programme.</p> |

Notes to the Accounts

| Item | Uncertainties | Effect if actual results differ from assumptions |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pension liabilities | <p>The Authority's share of the Local Government pension fund liability as at 31st March 2020 is £840.95m. However, the fund is subject to a triennial valuation which at present reviews the level of employers contributions in order to ensure the long term sustainability of the fund. Changes to the Local Government Pension Scheme introduced on 1st April 2014 were designed to ensure the long term affordability of the scheme.</p> | <p>The Pension Fund is designed to be sustainable over the long term and it is unlikely that there will be any significant short term impact on the Authority's finances arising from any assumptions currently made or decisions that are likely in the coming financial year.</p> |
| Insurance Provisions and Reserves | <p>The Authority has set aside provisions to meet contractual excess amounts from known and existing insurance claims. In deciding the level of provision to make in respect of ongoing claims, the Authority has taken advice from its legal advisers and/or its contracted loss adjusters. The Authority also maintains an insurance reserve which is used to meet the cost of future unforeseen events based on previous experience.</p> | <p>Should the sums set aside prove insufficient to meet these payments there would be an immediate revenue effect in the year that the available sums were exhausted. Equally, the Authority regularly reviews the level of both provisions and reserves with a view to releasing funds back to revenue if appropriate.</p> |

Notes to the Accounts

| Item | Uncertainties | Effect if actual results differ from Assumptions |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fair value measurements | <p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Authority employs experts to identify the most appropriate valuation techniques to determine fair value (for example for surplus assets and investment properties, the Authority's internal property valuation team).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Authority's assets and liabilities is disclosed in notes:</p> <p>14. Non-operational PPE (Surplus Assets) 16. Investment Properties 17. Financial Instruments</p> | <p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its financial assets / liabilities.</p> <p>The significant unobservable inputs used in the fair value measurement include assumptions regarding rent levels, vacancy levels (for investment properties), investment yields and discount rates - for some financial assets.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the surplus assets, investment properties and financial assets.</p> |

Notes to the Accounts

5. Material items of income and expense

There are no material items of income and expenditure in 2018/19 and 2019/20.

6a) Note to the Expenditure and Funding Analysis

| Adjustments between Funding and Accounting Basis 2019/20 | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------|--------------------------------------|--------------------------------------------------------|----------------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes (Note 1) £'000 | Net Change for Pension Adjustments (Note 2) £'000 | Other Statutory Adjustments (Note 3) £'000 | Total Statutory Adjustments £'000 | Other (Non-statutory) Adjustments (Note 4) £'000 | Total Adjustments £'000 |
| Resources | 6,923 | 2,508 | -418 | 9,013 | -21,415 | -12,402 |
| People - Social Services | 1,774 | 7,087 | 107 | 8,968 | 0 | 8,968 |
| People - Education | 20,941 | 2,542 | 1,076 | 24,559 | 53 | 24,612 |
| Place | 28,014 | 8,191 | 108 | 36,313 | 3,725 | 40,038 |
| Housing Revenue Account (HRA) | 5,664 | 1,248 | -4 | 6,908 | 0 | 6,908 |
| Net Cost of Services | 63,316 | 21,576 | 869 | 85,761 | -17,637 | 68,124 |
| Other income and expenditure from the Expenditure and Funding Analysis | -93,251 | 19,180 | 49 | -74,022 | 17,637 | -56,385 |
| Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | -29,935 | 40,756 | 918 | 11,739 | 0 | 11,739 |

Notes to the Accounts

Adjustments between Funding and Accounting Basis Restated 2018/19

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes (Note 1) £'000 | Net Change for Pension Adjustments (Note 2) £'000 | Other Statutory Adjustments (Note 3) £'000 | Total Statutory Adjustments £'000 | Other (Non-statutory) Adjustments (Note 4) £'000 | Total Adjustments £'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|-----------------------------------------------|--------------------------------------|-----------------------------------------------------|----------------------------|
| Resources | 5,499 | 34,888 | -76 | 40,311 | -20,190 | 20,121 |
| People - Social Services | 2,008 | 4,153 | 102 | 6,263 | 0 | 6,263 |
| People - Education | 20,652 | -386 | -225 | 20,041 | 54 | 20,095 |
| Place | 18,369 | 4,832 | 23 | 23,224 | 3,767 | 26,991 |
| Housing Revenue Account (HRA) | 5,938 | 719 | 8 | 6,665 | 108 | 6,773 |
| Net Cost of Services | 52,466 | 44,206 | -168 | 96,504 | -16,261 | 80,243 |
| Other income and expenditure from the Expenditure and Funding Analysis | -79,674 | 17,910 | 31 | -61,733 | 16,261 | -45,472 |
| Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | -27,208 | 62,116 | -137 | 34,771 | 0 | 34,771 |

The service expenditure analysis has been restated for 2018/19 following changes to how the Authority reports internally on budget, budget monitoring and revenue outturn.

Notes to the Accounts

Adjustments for Capital Purposes

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

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

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

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

Net Change for Pension Adjustments

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

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

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

Other Statutory Adjustments

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

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

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

Notes to the Accounts

Other Non-statutory Adjustments

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

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

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

6b) Segmental Income

Income received on a segmental basis is analysed below:

| Services | 2019/20 Income from Services £'000 | Restated 2018/19 Income from Services £'000 |
|---------------------------------------------------|------------------------------------------|---------------------------------------------------|
| Resources | -77,254 | -84,301 |
| People - Social Services | -70,001 | -62,803 |
| People - Education | -53,861 | -49,183 |
| Place | -106,862 | -106,396 |
| Housing Revenue Account (HRA) | -67,918 | -65,965 |
| Total income analysed on a segmental basis | -375,896 | -368,648 |

The service expenditure analysis has been restated for 2018/19 following changes to how the Authority reports internally on budget, budget monitoring and revenue outturn.

Notes to the Accounts

7. Expenditure and Income Analysed by Nature

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

| Expenditure/Income | 2018/19 £'000 | 2019/20 £'000 |
|--------------------------------------------------------|------------------|------------------|
| Expenditure | | |
| Employee expenses | 382,868 | 372,523 |
| Premises | 49,468 | 48,467 |
| Transport | 28,420 | 28,575 |
| Supplies & Services | 100,721 | 104,244 |
| Other Costs | 229,272 | 228,899 |
| Depreciation, amortisation and impairment | 47,625 | 55,625 |
| Interest payments | 21,780 | 22,794 |
| Precepts and levies | 35,127 | 37,716 |
| Gain or loss on the disposal of assets | -456 | -1,248 |
| Total expenditure | 894,825 | 897,595 |
| Income | | |
| Fees, charges and other service income | -240,808 | -238,804 |
| Interest and investment income | -760 | -1,107 |
| Income from council tax | -115,904 | -123,652 |
| Government grants and contributions | -510,545 | -538,208 |
| Total income | -868,017 | -901,771 |
| Surplus or Deficit on the Provision of Services | 26,808 | -4,176 |

The £238.80m (18/19 £240.81m) of fees, charges and other service income reported in the Comprehensive Income and Expenditure Statement includes £192.325m (18/19 £189.007m) of revenue recognised from contracts with service recipients.

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Notes to the Accounts

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

| 2019/20 | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| | Usable Reserves | | | |
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 |
| Adjustments to the Revenue Resources | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | |
| - Pensions costs (transferred to (or from) the Pensions Reserve) | 38,549 | 2,207 | 0 | 0 |
| - Financial instruments (transferred to the Financial Instruments Adjustments Account) | 49 | 0 | 0 | 0 |
| - Holiday pay (transferred to the Accumulated Absences Reserve) | 926 | -4 | 0 | 0 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account): | 19,674 | -3,546 | 0 | 5,588 |
| Total Adjustments to Revenue Resources | 59,198 | -1,343 | 0 | 5,588 |

Notes to the Accounts

| 2019/20 | | | | |
|-------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| | Usable Reserves | | | |
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | -1,248 | 0 | 2,118 | 0 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | -10,587 | -3,038 | 0 | 0 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | -1,719 | -29,524 | 0 | 0 |
| Total Adjustments between Revenue and Capital Resources | -13,554 | -32,562 | 2,118 | 0 |
| Adjustments to Capital Resources | | | | |
| Use of Capital Receipts Reserve to finance capital expenditure | 0 | 0 | 0 | 0 |
| Cash payments in relation to deferred capital receipts | 0 | 0 | -5,055 | 0 |
| Total Adjustments to Capital Resources | 0 | 0 | -5,055 | 0 |
| Total Adjustments | 45,644 | -33,905 | -2,937 | 5,588 |

Notes to the Accounts

| 2018/19 Comparative Figures | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| | Usable Reserves | | | |
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 |
| Adjustments to the Revenue Resources | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | |
| - Pensions costs (transferred to (or from) the Pensions Reserve) | 60,501 | 1,615 | 0 | 0 |
| - Financial instruments (transferred to the Financial Instruments Adjustments Account) | 31 | 0 | 0 | 0 |
| - Holiday pay (transferred to the Accumulated Absences Reserve) | -123 | 7 | 0 | 0 |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account): | 20,820 | -3,247 | 0 | 1,981 |
| Total Adjustments to Revenue Resources | 81,229 | -1,625 | 0 | 1,981 |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | -456 | 0 | 3,896 | 0 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | -10,946 | -2,992 | 0 | 0 |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | -2,939 | -27,500 | 0 | 0 |
| Total Adjustments between Revenue and Capital Resources | -14,341 | -30,492 | 3,896 | 0 |

Notes to the Accounts

| 2018/19 Comparative Figures | | | | |
|----------------------------------------------------------------|----------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| | Usable Reserves | | | |
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 |
| Adjustments to Capital Resources | | | | |
| Use of Capital Receipts Reserve to finance capital expenditure | 0 | 0 | 0 | 0 |
| Cash payments in relation to deferred capital receipts | 0 | 0 | -1,040 | 0 |
| Total Adjustments to Capital Resources | 0 | 0 | -1,040 | 0 |
| Total Adjustments | 66,888 | -32,117 | 2,856 | 1,981 |

9. Events After the Balance Sheet Date

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

Two types of events can be identified:

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

The Covid 19 Pandemic will have a material effect on the Council's financial position throughout 2020/21 and beyond. The immediate direct revenue financial impact on the 2019/20 accounts was minimal and already reflected. In producing the statement of accounts the explicit assumption has been made that the Council remains a going concern, that physical asset closures are temporarily only and that they are not permanently impaired, and that financial assets and liabilities (especially in relation to property and the pension fund) may be subject to wider than usual uncertainty over valuation assumptions, estimate accuracy and formal certification by third parties.

Notes to the Accounts

10. Movements In Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20.

| | Balance at 1st April 2018 £'000 | Transfers Out 2018/19 £'000 | Transfers In 2018/19 £'000 | Balance at 31st March 2019 £'000 | Transfers Out 2019/20 £'000 | Transfers In 2019/20 £'000 | Balance at 31st March 2020 £'000 |
|--------------------------------------------------------------|------------------------------------|--------------------------------|-------------------------------|-------------------------------------|--------------------------------|-------------------------------|-------------------------------------|
| General Fund: | | | | | | | |
| Balances held by schools under the scheme of delegation | 7,101 | -1 | 1,500 | 8,600 | -996 | 125 | 7,729 |
| Primary School Sickness Scheme Reserve | 158 | -158 | 180 | 180 | -180 | 93 | 93 |
| Information technology reserves | 1,483 | -989 | 900 | 1,394 | 0 | 248 | 1,642 |
| Development reserves | 4,670 | -293 | 180 | 4,557 | -17 | 81 | 4,621 |
| Insurance reserves | 16,801 | -14 | 608 | 17,395 | -1,081 | 18 | 16,332 |
| Restructuring Costs reserve | 7,678 | -4,678 | 0 | 3,000 | 0 | 0 | 3,000 |
| Other earmarked revenue reserves | 12,371 | -2,584 | 1,830 | 11,617 | -970 | 11,903 | 22,550 |
| Revenue reserve earmarked to fund future capital expenditure | 8,820 | 0 | 12,107 | 20,927 | 0 | 7,506 | 28,433 |
| Total | 59,082 | -8,717 | 17,305 | 67,670 | -3,244 | 19,974 | 84,400 |
| HRA: | | | | | | | |
| Housing Revenue Account | 6,781 | -625 | 0 | 6,156 | -815 | 0 | 5,341 |
| Total | 6,781 | -625 | 0 | 6,156 | -815 | 0 | 5,341 |

Notes to the Accounts

11. Other Operating Expenditure

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|-----------------------------------------------------|------------------|
| 1,403 | Community Council precepts | 1,464 |
| 21,008 | South Wales Police Authority precept | 23,195 |
| 12,716 | Levies and Contributions | 13,057 |
| -456 | Gains/losses on the disposals of non-current assets | -1,248 |
| 34,671 | | 36,468 |

12. Financing and Investment Income and Expenditure

| 2018/19 | | | | 2019/20 | | |
|-----------------------|--------------------------|------------------|---------------------------------------------------------------------------------------------|-----------------------|--------------------------|------------------|
| Gross Exp £'000 | Gross Income £'000 | Net Exp £'000 | | Gross Exp £'000 | Gross Income £'000 | Net Exp £'000 |
| 21,780 | 0 | 21,780 | Interest payable and similar charges | 22,794 | 0 | 22,794 |
| 46,560 | -28,650 | 17,910 | Net interest on the net defined benefit liability (asset) | 48,000 | -28,820 | 19,180 |
| 0 | -760 | -760 | Interest receivable and similar income | 0 | -1,107 | -1,107 |
| 3,920 | -9,384 | -5,464 | Income and expenditure in relation to investment properties and changes in their fair value | 4,770 | -6,686 | -1,916 |
| 2,248 | 0 | 2,248 | Impairment losses | 4,359 | 0 | 4,359 |
| 74,508 | -38,794 | 35,714 | | 79,923 | -36,613 | 43,310 |

The income generated from investment properties during the year amounted to £4.767m (2018/19 £4.720m) and changes to the fair value of investment properties amounted to -£1.953m (2018/19 £1.558m).

13. Taxation and Non Specific Grant Income

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|----------------------------------|------------------|
| -115,904 | Council tax income (note 36) | -123,652 |
| -79,141 | Non domestic rates | -80,013 |
| -239,946 | Non-ringfenced government grants | -242,197 |
| -33,532 | Capital grants and contributions | -47,876 |
| -265 | Other grants | -1,943 |
| -468,788 | | -495,681 |

Notes to the Accounts

14. Property, Plant and Equipment

| Movements in 2019/20: | | | | | | | | |
|----------------------------------------------------------------------------------------------------|----------------------------|-----------------------------------|-------------------------------------------------|--------------------------------|---------------------------|-------------------------|------------------------------------|----------------------------------------------|
| | 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 |
| Cost or valuation | | | | | | | | |
| At 1 April 2019 | 390,620 | 666,171 | 24,675 | 399,115 | 15,989 | 83,866 | 21,393 | 1,601,829 |
| additions (Cap Exp) | 48,091 | 9,848 | 2,220 | 8,366 | 0 | 1,092 | 47,090 | 116,707 |
| additions (Other) | 18 | 0 | 2,828 | 0 | 0 | 1,941 | 0 | 4,787 |
| revaluation increases / (decreases) recognised in the Revaluation Reserve | -7,458 | -7,493 | 0 | 0 | 0 | 471 | 0 | -14,480 |
| revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | 284 | -1,493 | 0 | 0 | 0 | -3,403 | 0 | -4,612 |
| impairment losses recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| impairment losses recognised in the Surplus/Deficit on the Provision of Services | 0 | -1,232 | -26 | -113 | 0 | 0 | 0 | -1,371 |
| derecognition - disposals | 0 | -564 | -62 | 0 | 0 | -237 | 0 | -863 |
| assets reclassified to/from Held for Sale | 0 | 0 | 0 | 0 | 0 | -300 | 0 | -300 |

Notes to the Accounts

Movements in 2019/20 (continued):

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total Property, Plant and Equipment £'000 |
|----------------------------------------------------------------------------------------------|----------------------------|--------------------------------------|-------------------------------------------------------|-----------------------------------|------------------------------|-------------------------|---------------------------------------|----------------------------------------------------|
| assets under construction reclassified | 0 | 882 | 7 | 16 | 0 | 5 | -1,829 | -919 |
| other reclassifications | -223 | -6,293 | 0 | 0 | 0 | 882 | 5,634 | 0 |
| At 31 March 2020 | 431,332 | 659,826 | 29,642 | 407,384 | 15,989 | 84,317 | 72,288 | 1,700,778 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2019 | -16,703 | -20,886 | -17,364 | -158,349 | -6,606 | -1,383 | 0 | -221,291 |
| depreciation charge | -5,819 | -26,916 | -1,981 | -11,706 | -388 | -1,058 | 0 | -47,868 |
| depreciation written out to the Revaluation Reserve | 22,525 | 2,156 | 0 | 0 | 0 | 547 | 0 | 25,228 |
| depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 81 | 0 | 81 |
| impairment losses recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| impairment losses recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| derecognition - disposals | 0 | 520 | 62 | 0 | 0 | 11 | 0 | 593 |
| other movements in depreciation and impairment | -3 | 0 | 0 | 0 | 0 | 19 | -16 | 0 |
| At 31 March 2020 | 0 | -45,126 | -19,283 | -170,055 | -6,994 | -1,783 | -16 | -243,257 |
| Net Book Value | | | | | | | | |
| At 1 April 2019 | 373,917 | 645,285 | 7,311 | 240,766 | 9,383 | 82,483 | 21,393 | 1,380,538 |
| At 31 March 2020 | 431,332 | 614,700 | 10,359 | 237,329 | 8,995 | 82,534 | 72,272 | 1,457,521 |

Notes to the Accounts

Comparative Movements in 2018/19:

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Plant, Furniture & Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total Property, Plant and Equipment £'000 |
|----------------------------------------------------------------------------------------------------|----------------------------|-----------------------------------|---------------------------------------|--------------------------------|---------------------------|-------------------------|------------------------------------|----------------------------------------------|
| Cost or valuation | | | | | | | | |
| At 1 April 2018 | 389,718 | 657,942 | 37,962 | 389,664 | 15,989 | 87,592 | 29,905 | 1,608,772 |
| additions(Cap Exp) | 42,535 | 9,234 | 1,988 | 11,882 | 0 | 213 | 15,505 | 81,357 |
| additions(Other) | 0 | 0 | 511 | 0 | 0 | 100 | 0 | 611 |
| revaluation increases / (decreases) recognised in the Revaluation Reserve | -54,726 | -15,525 | -18 | 0 | 0 | 809 | 0 | -69,460 |
| revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | 10,077 | -14,196 | -2,445 | 0 | -1,822 | 0 | -8,386 |
| impairment losses recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | -737 | 0 | -737 |
| impairment losses recognised in the Surplus/Deficit on the Provision of Services | 0 | -1,488 | -52 | 0 | 0 | -1,043 | 0 | -2,583 |
| derecognition - Disposals | 0 | 0 | -1,584 | 0 | 0 | -1,345 | 0 | -2,929 |
| assets reclassified to/from Held for Sale | 0 | -4,200 | 0 | 0 | 0 | -580 | 0 | -4,780 |
| assets under construction reclassified | 13,014 | 10,889 | 64 | 14 | 0 | 0 | -24,017 | -36 |
| other reclassifications | 79 | -758 | 0 | 0 | 0 | 679 | 0 | 0 |
| At 31 March 2019 | 390,620 | 666,171 | 24,675 | 399,115 | 15,989 | 83,866 | 21,393 | 1,601,829 |

Notes to the Accounts

Comparative Movements in 2018/19 (continued):

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total Property, Plant and Equipment £'000 |
|----------------------------------------------------------------------------------|----------------------------|--------------------------------------|-------------------------------------------------------|-----------------------------------|---------------------------|-------------------------|---------------------------------------|----------------------------------------------------|
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2018 | -11,541 | -26,659 | -30,057 | -150,145 | -6,218 | -500 | 0 | -225,120 |
| depreciation charge | -5,755 | -23,880 | -2,378 | -11,173 | -388 | -1,451 | 0 | -45,025 |
| depreciation written out to the Revaluation Reserve | 593 | 29,619 | 15 | 0 | 0 | 328 | 0 | 30,555 |
| depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 34 | 13,557 | 2,969 | 0 | 79 | 0 | 16,639 |
| impairment losses recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 | 93 | 0 | 93 |
| impairment losses recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 68 | 0 | 68 |
| derecognition - disposals | 0 | 0 | 1,499 | 0 | 0 | 0 | 0 | 1,499 |
| At 31 March 2019 | -16,703 | -20,886 | -17,364 | -158,349 | -6,606 | -1,383 | 0 | -221,291 |
| Net Book Value | | | | | | | | |
| At 1 April 2018 | 378,177 | 631,283 | 7,905 | 239,519 | 9,771 | 87,092 | 29,905 | 1,383,652 |
| At 31 March 2019 | 373,917 | 645,285 | 7,311 | 240,766 | 9,383 | 82,483 | 21,393 | 1,380,538 |

Notes to the Accounts

Capital Commitments

As at 31st March 2020 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £99.206m. Similar commitments at 31st March 2019 were £12.54m.

The major commitments are:

| | £'000 |
|---------------------------------------------------|--------|
| Education other than at School new build premises | 4,170 |
| Gorseinon new build primary School | 2,153 |
| HRA Environmental Facilities schemes | 2,672 |
| HRA Enveloping schemes | 1,348 |
| HRA More Homes scheme | 965 |
| Swansea Central Phase 1 - construction phase | 83,123 |
| Kingsway Digital Village | 987 |
| Kingsway Infrastructure works | 1,423 |
| Leisure Centres | 884 |
| Adapted minibuses | 490 |
| Oracle Fusion | 665 |
| Palace Theatre design phase | 326 |

Revaluations

The Authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation dates for 2019/20 were 30th June 2019, 30th September 2019, 31st December 2019 and 31st March 2020.

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

Notes to the Accounts

The main asset groups revalued during 2019/20 and the remaining groups to be revalued under the current rolling programme are as follows:

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

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

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

Notes to the Accounts

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

Fair Value Hierarchy

Details of the Authority's surplus assets and information about fair value hierarchy as at 31 March 2020 and 31 March 2019 are as follows:

| | Quoted prices in active markets for identical assets | Other significant observable inputs | Significant unobservable inputs | Fair Value as at 31st March 2020 | Fair value reclassified from Surplus prior to 31st March 2020 | Fair Value reclassified to Surplus Assets prior to 31st March 2020 | | | Fair value adjusted prior to IFRS 13 as at 31st March 2020 | Fair value adjusted prior to IFRS 13 as at 31st March 2020 - Reclassified from Surplus Assets prior to 31st March 2020 | Total Surplus Assets Value as at 31st March 2020 |
|------------------------------------------|------------------------------------------------------|-------------------------------------|---------------------------------|----------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------|-----------|-----------|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| | (Level 1) | (Level 2) | (Level 3) | | | (Level 1) | (Level 2) | (Level 3) | | | |
| Recurring fair value measurements using: | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Agricultural | 0 | 0 | 537 | 537 | 0 | 0 | 0 | 0 | 0 | 0 | 537 |
| City Centre | 0 | 5,562 | 13,911 | 19,473 | 0 | 0 | 0 | 0 | 0 | 0 | 19,473 |
| Industrial Units | 0 | 0 | 3,190 | 3,190 | 0 | 0 | 0 | 0 | 0 | 0 | 3,190 |
| Land only | 0 | 1,237 | 41,384 | 42,621 | 0 | 0 | 0 | 0 | 0 | 0 | 42,621 |
| High Value | 0 | 0 | 260 | 260 | 0 | 0 | 0 | 0 | 0 | 0 | 260 |
| Residential Freeholds (LRA) | 0 | 205 | 0 | 205 | 0 | 0 | 0 | 0 | 0 | 0 | 205 |
| Residential shared % | 0 | 0 | 913 | 913 | 0 | 0 | 0 | 0 | 0 | 0 | 913 |
| Miscellaneous | 0 | 5,121 | 11,997 | 17,118 | 0 | 0 | 0 | 0 | 0 | 0 | 17,118 |
| Total | 0 | 12,125 | 72,192 | 84,317 | 0 | 0 | 0 | 0 | 0 | 0 | 84,317 |

Notes to the Accounts

2018/19 Comparative Figures

| | Quoted prices in active markets for identical assets | Other significant observable inputs | Significant unobservable inputs | Fair Value as at 31st March 2019 | Fair value reclassified from Surplus prior to 31st March 2019 | Fair Value reclassified to Surplus Assets prior to 31st March 2019 | | | Fair value adjusted prior to IFRS 13 as at 31st March 2019 | Fair value adjusted prior to IFRS 13 as at 31st March 2019 - Reclassified from Surplus Assets prior to 31st March 2019 | Total Surplus Assets Value as at 31st March 2019 |
|------------------------------------------|------------------------------------------------------|-------------------------------------|---------------------------------|----------------------------------|---------------------------------------------------------------|--------------------------------------------------------------------|-----------|------------|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| | (Level 1) | (Level 2) | (Level 3) | | | (Level 1) | (Level 2) | (Level 3) | | | |
| Recurring fair value measurements using: | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Agricultural | 0 | 0 | 537 | 537 | 0 | 0 | 0 | 0 | 0 | 0 | 537 |
| City Centre | 0 | 5,381 | 11,474 | 16,855 | 0 | 0 | 0 | 0 | 0 | 0 | 16,855 |
| Industrial Units | 0 | 0 | 3,485 | 3,485 | 0 | 0 | 0 | 0 | 0 | 0 | 3,485 |
| Land only | 0 | 1,236 | 44,476 | 45,712 | -600 | 0 | 0 | 207 | 0 | 0 | 45,319 |
| High Value | 0 | 0 | 260 | 260 | 0 | 0 | 0 | 0 | 0 | 0 | 260 |
| Residential Freeholds (LRA) | 0 | 236 | 0 | 236 | 0 | 0 | 0 | 0 | 0 | 0 | 236 |
| Residential shared % | 0 | 0 | 1,012 | 1,012 | -47 | 0 | 0 | 0 | 0 | 0 | 965 |
| Miscellaneous | 0 | 4,551 | 11,038 | 15,589 | 0 | 0 | 0 | 606 | 14 | 0 | 16,209 |
| Total | 0 | 11,404 | 72,282 | 83,686 | -647 | 0 | 0 | 813 | 14 | 0 | 83,866 |

Notes to the Accounts

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

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

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

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

Highest and Best Use of Surplus Assets

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

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

| Agricultural categorised with Level 3 | 31 March 2020 £'000 | 31 March 2019 £'000 |
|------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Opening balance | 537 | 537 |
| Transfers In - Fair Value adjustment prior to IFRS13 | 0 | 0 |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value | 0 | 0 |
| Closing Balance | 537 | 537 |

Notes to the Accounts

| City Centre categorised with Level 3 | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Opening balance | 11,474 | 12,555 |
| Transfers In - Fair Value adjustment prior to IFRS13 | 0 | 0 |
| Transfers into Level 3 | 0 | 452 |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value | 157 | -792 |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | -471 | -1,115 |
| Transfers to/from Property, Plant and Equipment | 535 | 0 |
| Additions | 2,216 | 374 |
| Closing Balance | 13,911 | 11,474 |

| Industrial Units categorised with Level 3 | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Opening balance | 3,485 | 2,152 |
| Transfers into Level 3 | 0 | 154 |
| Transfers In - Fair Value adjustment prior to IFRS13 | 0 | 0 |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value | -44 | 629 |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | -251 | 0 |
| Transfers to/from Property, Plant and Equipment | 0 | 0 |
| Additions | 0 | 550 |
| Closing Balance | 3,190 | 3,485 |

| Land Only categorised with Level 3 | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Opening balance | 44,083 | 45,226 |
| Transfers In - Fair Value adjustment prior to IFRS13 | 0 | 0 |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value | 58 | -105 |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | -2,427 | -1,462 |
| Transfers to/from Property, Plant and Equipment | -300 | -393 |
| Additions | 95 | 1,962 |
| Disposals | -125 | -1,145 |
| Closing Balance | 41,384 | 44,083 |

Notes to the Accounts

| High Value categorised with Level 3 | 31 March 2020 £'000 | 31 March 2019 £'000 |
|------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Opening balance | 260 | 260 |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value | 0 | 0 |
| Transfers to/from Property, Plant and Equipment | 0 | 0 |
| Closing Balance | 260 | 260 |

| Residential shared % categorised with Level 3 | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Opening balance | 965 | 1,021 |
| Transfers In - Fair Value adjustment prior to IFRS13 | 0 | 0 |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value | 0 | -9 |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | 0 | 0 |
| Transfers to/from Property, Plant and Equipment | -52 | -47 |
| Closing Balance | 913 | 965 |

| Miscellaneous categorised with Level 3 | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Opening balance | 11,644 | 13,712 |
| Transfers In - Fair Value adjustment prior to IFRS13 | 14 | 0 |
| Transfers into Level 3 | 0 | 184 |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value | 20 | 6 |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | 0 | -78 |
| Transfers to/from Property, Plant and Equipment | 400 | 606 |
| Additions | 0 | 0 |
| Disposals | -81 | -2,786 |
| Closing Balance | 11,997 | 11,644 |

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

Notes to the Accounts

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

| | As at 31/03/2020 £'000 | Valuation technique used to measure fair value | Unobservable inputs | Range (weighted average used) | Sensitivity |
|-------------------------|------------------------------|------------------------------------------------------|------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------|
| Agricultural | 537 | Market Approach | Land Value per acre | £2,000 - £5,000 per acre | Significant changes in land value and yield will result in significantly lower or higher fair value |
| City Centre | 13,911 | Market Approach | Rents | Zone A £150 to £1,000 per sq m | Significant changes in rent and yields will result in significantly lower or higher fair value |
| | | | Yield | 4 - 8% | |
| Industrial Units | 3,190 | Market Approach | Yield | 6 -12% | Significant changes in rent and yields will result in significantly lower or higher fair value |
| | | | Rents | Various | |
| Land Only | 41,384 | Market Approach | Land Value per acre | £100,000 to £600,000 per acre | Significant changes in rent and yields will result in significantly lower or higher fair value |
| | | | Yield | Various | |
| High Value | 260 | Market Approach | Rents | Various | Significant changes in rent and yields will result in significantly lower or higher fair value |
| | | | Yield | Various | |
| Residential shared % | 913 | Market Approach | Capital Value | £115,000 - £135,000 | Significant changes in capital value will result in a change to the fair value |
| Miscellaneous | 11,997 | Market Approach | Yield | 5 - 12% | Significant changes in rent and yields will result in significantly lower or higher fair value |
| | | | Rents | Various | |
| TOTAL | 72,192 | | | | |

Notes to the Accounts

Valuation Process for Surplus Assets

The fair value of the Authority's surplus assets is measured under a rolling programme. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The Authority's valuation experts works closely with finance officers reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

15. Heritage Assets

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

| | Heritage Land, Buildings & Infrastructure £'000 | Art & Museums £'000 | Furniture, Fixtures & Fittings £'000 | Other £'000 | Total Assets £'000 |
|-----------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------|-----------------------------------------------|----------------|-----------------------|
| Cost or Valuation | | | | | |
| At 1st April 2018 | 4,137 | 21,206 | 2,955 | 1,578 | 29,876 |
| Additions (Cap Exp) | 103 | 13 | 0 | 13 | 129 |
| Additions (Other) | 451 | 16 | 0 | 0 | 467 |
| Revaluations recognised in the Revaluation Reserve | 0 | -6 | 0 | 0 | -6 |
| Revaluations recognised in the Surplus/Deficit on the Provision of Services | 0 | -17 | 0 | -30 | -47 |
| Impairments recognised in the Surplus/Deficit on the Provision of Services | -139 | 0 | 0 | -13 | -152 |
| Reclassifications | 36 | 0 | 0 | 0 | 36 |
| At 31st March 2019 | 4,588 | 21,212 | 2,955 | 1,548 | 30,303 |
| Cost or Valuation | | | | | |
| At 1st April 2019 | 4,588 | 21,212 | 2,955 | 1,548 | 30,303 |
| Additions (Cap Exp) | 1,055 | 0 | 0 | 4 | 1,059 |
| Additions (Other) | 0 | 680 | 0 | 226 | 906 |
| Revaluations recognised in the Revaluation Reserve | 0 | -47 | 0 | 0 | -47 |
| Revaluations recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 |
| Impairments recognised in the Surplus/Deficit on the Provision of Services | -1,361 | 0 | 0 | -4 | -1,365 |
| Reclassifications | 877 | 0 | 0 | 0 | 877 |
| At 31st March 2020 | 5,159 | 21,845 | 2,955 | 1,774 | 31,733 |

Notes to the Accounts

Heritage Land, Buildings and Infrastructure

The Authority's heritage land, buildings and infrastructure assets are reported in the Balance Sheet at historic cost (e.g. Oystermouth Castle) and at valuation (e.g. Swiss Cottage, Singleton Park or Morfa Bridge - off Normandy Road, Landore). Valuations have been carried out internally by the Authority's internal RICS valuer and internal highways engineer.

Art & Museums

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

Other

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

16. Investment Properties

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

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|------------------------------------------------------------|------------------|
| 4,720 | Rental income from investment property | 4,767 |
| -814 | Direct operating expenses arising from investment property | -898 |
| 3,906 | Net gain | 3,869 |

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:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|----------------------------------------------|------------------|
| 47,958 | Balance at start of the year | 57,758 |
| | Additions: | |
| 8,242 | - Construction (Current) | 0 |
| 1,558 | Net gains/losses from fair value adjustments | -1,953 |
| 57,758 | Balance at end of the year | 55,805 |

Notes to the Accounts

Fair Value measurement of investment property - Fair Value Hierarchy

Details of the Authority's investment properties and information about fair value hierarchy as at 31 March 2020 and 31 March 2019 are as follows:

| 2019/20 | | | | | | | | | | | | |
|------------------------------------------|------------------------------------------------------|-------------------------------------|---------------------------------|-----------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------|
| | Quoted prices in active markets for identical assets | Other significant observable inputs | Significant unobservable inputs | Fair value as at 31st March | Fair value reclassified from Investment Properties prior to 31st March | Fair value reclassified to Investment Properties prior to 31st March | Fair value adjusted prior to IFRS13 as at 31st March | Fair value adjusted prior to IFRS13 - Reclassified from Investment Properties prior to 31st March | Total Investment Property Value as at 31st March | | | |
| Recurring fair value measurements using: | (Level 1) | (Level 2) | (Level 3) | Fair value as at 31st March | (Level 2) | (Level 3) | (Level 1) | (Level 2) | (Level 3) | Fair value adjusted prior to IFRS13 as at 31st March | Fair value adjusted prior to IFRS13 - Reclassified from Investment Properties prior to 31st March | Total Investment Property Value as at 31st March |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Enterprise Park | 0 | 10,879 | 9,289 | 20,168 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20,168 |
| High Value | 0 | 2,350 | 33,287 | 35,637 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 35,637 |
| Total | 0 | 13,229 | 42,576 | 55,805 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 55,805 |

| 2018/19 Comparative Figures | | | | | | | | | | | | |
|------------------------------------------|-----------|---------------|---------------|-----------------------------|-----------|-----------|-----------|-----------|-----------|------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------|
| Recurring fair value measurements using: | (Level 1) | (Level 2) | (Level 3) | Fair value as at 31st March | (Level 2) | (Level 3) | (Level 1) | (Level 2) | (Level 3) | Fair value adjusted prior to IFRS13 as at 31st March | Fair value adjusted prior to IFRS13 - Reclassified from Investment Properties prior to 31st March | Total Investment Property Value as at 31st March |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Enterprise Park | 0 | 10,596 | 8,504 | 19,100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 19,100 |
| High Value | 0 | 2,360 | 36,298 | 38,658 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 38,658 |
| Total | 0 | 12,956 | 44,802 | 57,758 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 57,758 |

Notes to the Accounts

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

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

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

Highest and Best Use of Surplus Assets

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

| Enterprise Park categorised within Level 3 | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Opening balance | 8,504 | 8,528 |
| Transfer into Level 3 | 0 | 0 |
| Transfers In - Fair Value Adjusted prior to IFRS13 | 0 | 0 |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | 785 | -24 |
| Transfers to/from Property, Plant and Equipment | 0 | 0 |
| Closing Balance | 9,289 | 8,504 |

Notes to the Accounts

| High Value categorised within Level 3 | 31 March 2020 £'000 | 31 March 2019 £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Opening balance | 36,298 | 25,701 |
| Transfer into Level 3 | 0 | 1,665 |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | -3,011 | 1,634 |
| Transfers to/from Property, Plant and Equipment | 0 | 0 |
| Addition | 0 | 7,298 |
| Closing Balance | 33,287 | 36,298 |

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

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

| | As at 31/03/2020 £'000 | Valuation technique used to measure fair value | Unobservable inputs | Range (weighted average used) | Sensitivity |
|-----------------|------------------------------|---------------------------------------------------------|------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------|
| Enterprise Park | 9,289 | Market Approach | Yield | 8 - 12% | Significant changes in rents and yields will result in significantly lower or higher fair value |
| | | | Rent | Various | |
| High Value | 33,287 | Market Approach | Yield | Various | Significant changes in rents and yields will result in significantly lower or higher fair value |
| | | | Rent | Various | |
| TOTAL | 42,576 | | | | |

Notes to the Accounts

17. Financial Instruments

Categories of Financial Instruments

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

Financial Assets:

| | Non-Current | | | | Current | | | | Totals | |
|-------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Investments | | Debtors | | Investments | | Debtors | | 31st March 2020 | 31st March 2019 |
| | 31st March 2020 | 31st March 2019 | 31st March 2020 | 31st March 2019 | 31st March 2020 | 31st March 2019 | 31st March 2020 | 31st March 2019 | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fair value through profit or loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortised cost | 24 | 24 | 4,067 | 3,724 | 67,603 | 121,772 | 79,999 | 47,958 | 151,693 | 173,478 |
| Fair value through other comprehensive income - designated equity instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fair value through other comprehensive income - other | 90 | 95 | 0 | 0 | 0 | 0 | 0 | 0 | 90 | 95 |
| Total financial assets | 114 | 119 | 4,067 | 3,724 | 67,603 | 121,772 | 79,999 | 47,958 | 151,783 | 173,573 |
| Non-financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 114 | 119 | 4,067 | 3,724 | 67,603 | 121,772 | 79,999 | 47,958 | 151,783 | 173,573 |

Financial Liabilities:

| | Non-Current | | | | Current | | | | Totals | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Borrowings | | Creditors | | Borrowings | | Creditors | | 31st March 2020 | 31st March 2019 |
| | 31st March 2020 | 31st March 2019 | 31st March 2020 | 31st March 2019 | 31st March 2020 | 31st March 2019 | 31st March 2020 | 31st March 2019 | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fair value through profit or loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortised cost | 552,393 | 554,373 | 2,602 | 2,516 | 10,891 | 6,870 | 51,219 | 48,430 | 617,105 | 612,189 |
| Total financial liabilities | 552,393 | 554,373 | 2,602 | 2,516 | 10,891 | 6,870 | 51,219 | 48,430 | 617,105 | 612,189 |
| Non-financial liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 552,393 | 554,373 | 2,602 | 2,516 | 10,891 | 6,870 | 51,219 | 48,430 | 617,105 | 612,189 |

Notes to the Accounts

Income, Expense, Gains and Losses

| | 2019/20 | | 2018/19 | |
|-----------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------|-------------------------------------------------|--------------------------------------------|
| | Surplus or Deficit on the Provision of Services | Other Comprehensive Income and Expenditure | Surplus or Deficit on the Provision of Services | Other Comprehensive Income and Expenditure |
| | £'000 | £'000 | £'000 | £'000 |
| Net gains/losses on: | | | | |
| Financial assets measured at fair value through profit or loss | 0 | 0 | 0 | 0 |
| Financial assets measured at amortised cost | 0 | 0 | 0 | 0 |
| Investments in equity instruments designated at fair value through other comprehensive income | 0 | 0 | 0 | 0 |
| Financial assets measured at fair value through other comprehensive income | 0 | 0 | 0 | 0 |
| Financial liabilities measured at fair value through profit or loss | 0 | 0 | 0 | 0 |
| Financial liabilities measured at amortised cost | 0 | 0 | 0 | 0 |
| Total net gains/losses | 0 | 0 | 0 | 0 |
| Interest revenue: | | | | |
| Financial assets measured at amortised cost | 1,151 | 0 | 846 | 0 |
| Other financial assets measured at fair value through other comprehensive income | 0 | 0 | 0 | 0 |
| Total interest revenue | 1,151 | 0 | 846 | 0 |
| Interest expense | -22,699 | 0 | -21,621 | 0 |
| Fee income: | | | | |
| Financial assets or financial liabilities that are not at fair value through profit or loss | 0 | 0 | 0 | 0 |
| Trust and other fiduciary activities | 0 | 0 | 0 | 0 |
| Total fee income | 0 | 0 | 0 | 0 |
| Fee expense: | | | | |
| Financial assets or financial liabilities that are not at fair value through profit or loss | 0 | 0 | 0 | 0 |
| Trust and other fiduciary activities | 0 | 0 | 0 | 0 |
| Total fee expense | 0 | 0 | 0 | 0 |

Notes to the Accounts

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

Except for the financial assets carried at fair value, all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost. We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value. The fair values calculated are as follows:

Financial Liabilities

| | 2019/20 | | 2018/19 | |
|----------------------------------------------|-----------------|----------------|-----------------|----------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | £'000 | £'000 | £'000 | £'000 |
| Financial liabilities held at amortised cost | 542,082 | 744,681 | 542,083 | 774,352 |
| Long-term creditors | 51,219 | 51,219 | 48,430 | 48,430 |
| Total | 593,301 | 795,900 | 590,513 | 822,782 |

The fair value of borrowings is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Financial Assets

| | 2019/20 | | 2018/19 | |
|-----------------------------------------|-----------------|----------------|-----------------|----------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets held at amortised cost | 67,603 | 67,603 | 121,773 | 121,773 |
| Long-term debtors | 84,066 | 84,066 | 51,682 | 51,682 |
| Total | 151,669 | 151,669 | 173,455 | 173,455 |

The fair value of the financial assets is equivalent to the carrying amount because the authority's portfolio of investments comprises of short dated investments whose fair value is equivalent to the carrying value as at 31st March 2020.

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

Notes to the Accounts

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

| | 31 March 2020 | | | |
|------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------|----------------|
| | Quoted prices in active markets for identical assets (Level 1) £'000 | Other significant observable inputs (Level 2) £'000 | Significant unobservable inputs (Level 3) £'000 | Total £'000 |
| Recurring fair value measurements using: | | | | |
| Financial liabilities | | | | |
| <i>Financial liabilities held at amortised cost:</i> | | | | |
| Loans/borrowings | 0 | 0 | 0 | 0 |
| Long-term creditors | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |
| Financial assets | | | | |
| <i>Financial assets held at amortised cost:</i> | | | | |
| Other financial assets | 0 | 11,708 | 0 | 11,708 |
| Total | 0 | 11,708 | 0 | 11,708 |

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

Notes to the Accounts

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

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

| Financial Assets | Financial Liabilities |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| - no early repayment or impairment is recognised | - no early repayment is recognised |
| - estimated ranges of interest rates at 31 March 2020 of 0.65% to 1.50% for loans receivable, based on new lending rates for equivalent loans at that date | - estimated ranges of interest rates at 31 March 2020 of 2.12% to 2.85% for loans payable based on new lending rates for equivalent loans at that date |
| - the fair value of trade and other receivables is taken to be the invoiced or billed amount | - the fair value of WG loans are taken at nominal value |

Notes to the Accounts

18. Short Term Debtors

| Restated 31st March 2019 £'000 | | 31st March 2020 £'000 |
|-----------------------------------------|---------------------------------------|-----------------------------|
| 28,689 | Central government bodies | 50,141 |
| 1,727 | Other local authorities | 1,227 |
| 8,072 | NHS bodies | 13,046 |
| 3 | Public corporations and trading funds | 1 |
| 23,499 | Other entities and individuals | 26,234 |
| 2,267 | Payments In Advance | 9,718 |
| -15,045 | Impairment losses | -18,397 |
| 49,212 | Total | 81,970 |

The short term debtors figure of £81.970m (18/19 £49.212m) includes £9.868m (18/19 £5.750m) for the impairment losses recognised on receivables arising from contracts with service recipients.

The 2018/19 short term debtors have been restated to provide a detailed analysis of short term debtors across public sector organisations.

19. Cash and Cash Equivalents

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

| 31st March 2019 £'000 | | 31st March 2020 £'000 |
|-----------------------------|----------------------------------------|-----------------------------|
| -785 | Cash held by the Authority | -217 |
| 48,022 | Bank current accounts | 57,150 |
| 47,237 | Total Cash and Cash Equivalents | 56,933 |

20. Short Term Creditors

| Restated 31st March 2019 £'000 | | 31st March 2020 £'000 |
|-----------------------------------------|---------------------------------------|-----------------------------|
| 10,327 | Central government bodies | 7,847 |
| 2,130 | Other local authorities | 3,078 |
| 791 | NHS bodies | 1,331 |
| 2 | Public corporations and trading funds | 0 |
| 35,180 | Other entities and individuals | 38,963 |
| 7,206 | Receipts In Advance | 9,352 |
| 55,636 | Total | 60,571 |

The 2018/19 short term creditors have been restated to provide a detailed analysis of short term creditors across public sector organisations.

Notes to the Accounts

21. Provisions

Short - term

| | Outstanding Legal Cases £'000 | Injury and Damage Compensation Claims £'000 | Employee Benefits £'000 | Other Provisions £'000 | Total £'000 |
|---------------------------------------|-------------------------------------|---------------------------------------------------------|-------------------------------|------------------------------|----------------|
| Balance at 1 April 2019 | 30 | 1,697 | 0 | 536 | 2,263 |
| Additional provisions made in 2019/20 | 0 | 959 | 0 | 938 | 1,897 |
| Amounts used in 2019/20 | 0 | -1,374 | 0 | 0 | -1,374 |
| Unused amounts reversed in 2019/20 | -30 | -1,566 | 0 | -303 | -1,899 |
| Transfer from long term to short term | 0 | 1,804 | 0 | 0 | 1,804 |
| Balance at 31 March 2020 | 0 | 1,520 | 0 | 1,171 | 2,691 |

Long - term

| | Outstanding Legal Cases £'000 | Injury and Damage Compensation Claims £'000 | Employee Benefits £'000 | Other Provisions £'000 | Total £'000 |
|---------------------------------------|-------------------------------------|---------------------------------------------------------|-------------------------------|------------------------------|----------------|
| Balance at 1 April 2019 | 0 | 3,503 | 50 | 6,149 | 9,702 |
| Additional provisions made in 2019/20 | 0 | 1,848 | 99 | 600 | 2,547 |
| Amounts used in 2019/20 | 0 | 0 | 0 | -340 | -340 |
| Unused amounts reversed in 2019/20 | 0 | 0 | 0 | 0 | 0 |
| Transfer from long term to short term | 0 | -1,804 | 0 | 0 | -1,804 |
| Balance at 31 March 2020 | 0 | 3,547 | 149 | 6,409 | 10,105 |

Outstanding Legal Cases

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

Notes to the Accounts

Injury and Damage Compensation Claims

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

Employee Benefits

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

Other Provisions

These amounts are to cover a variety of potential liabilities including land compensation claims following compulsory purchase, potential sums arising out of grant reclaims and obsolete stock. Other provisions include a significant capital provision (£4.452m) for the future remediation and maintenance of major land refuse disposal sites. Of the £4.452m, £1.669m is likely to be settled within the next ten years and the remaining £2.783m over the next forty years.

22. Unusable Reserves

| Authority | Group | | Authority | Group |
|----------------|----------------|------------------------------------------|----------------|----------------|
| 31st March | 31st March | | 31st March | 31st March |
| 2019 | 2019 | | 2020 | 2020 |
| £'000 | £'000 | | £'000 | £'000 |
| 379,632 | 389,964 | Revaluation Reserve | 373,016 | 385,505 |
| 589,739 | 589,739 | Capital Adjustment Account | 635,519 | 635,519 |
| -2,252 | -2,252 | Financial Instruments Adjustment Account | -2,303 | -2,303 |
| -823,404 | -823,404 | Pensions Reserve | -840,950 | -840,950 |
| -8,578 | -8,578 | Accumulated Absences Account | -9,500 | -9,500 |
| 135,137 | 145,469 | Total Unusable Reserves | 155,782 | 168,271 |

Revaluation Reserve

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

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

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

Notes to the Accounts

| Authority | Group | | Authority | Group |
|----------------|----------------|----------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| 2018/19 | 2018/19 | | 2019/20 | 2019/20 |
| £'000 | £'000 | | £'000 | £'000 |
| 429,264 | 438,751 | Balance at 1st April | 379,632 | 389,964 |
| | | Upward revaluation of assets - | | |
| 601 | 1,446 | Cost | 45,213 | 47,370 |
| 33,222 | 33,222 | Depreciation | 23,525 | 23,525 |
| | | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services - | | |
| -70,253 | -70,253 | Cost | -58,710 | -58,710 |
| 5,257 | 5,257 | Depreciation | 1,799 | 1,799 |
| -31,173 | -30,328 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 11,827 | 13,984 |
| -16,227 | -16,227 | Difference between fair value depreciation and historical cost depreciation | -18,249 | -18,249 |
| -2,232 | -2,232 | Accumulated gains on assets sold or scrapped | -194 | -194 |
| -18,459 | -18,459 | Amount written off to the Capital Adjustment Account | -18,443 | -18,443 |
| 379,632 | 389,964 | Balance at 31st March | 373,016 | 385,505 |

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Accounts

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 548,857 | Balance at 1st April | 589,739 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| -47,692 | Charges for depreciation and impairment of non-current assets | -50,604 |
| 243 | Revaluation losses on Property, Plant and Equipment | -4,940 |
| -175 | Amortisation of intangible assets | -81 |
| -6,299 | Revenue expenditure funded from capital under statute (REFCUS) | -8,169 |
| -3,440 | 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 | -870 |
| -57,363 | | -64,664 |
| 18,459 | Adjusting amounts written out of the Revaluation Reserve | 18,443 |
| -38,904 | Net written out amount of the cost of non-current assets consumed in the year | -46,221 |
| | Capital financing applied in the year: | |
| 1,040 | Use of the Capital Receipts Reserve to finance new capital expenditure | 5,055 |
| 32,811 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 44,031 |
| 13,938 | Statutory provision for the financing of the capital investment charged against the General Fund and HRA balances | 13,625 |
| 30,439 | Capital expenditure charged against the HRA and General Fund balances | 31,243 |
| 78,228 | | 93,954 |
| 1,558 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | -1,953 |
| 589,739 | Balance at 31st March | 635,519 |

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.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| -712,028 | Balance at 1st April | -823,404 |
| -49,260 | Remeasurements of the net defined benefit liability/(asset) | 23,210 |
| -73,040 | 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 | -88,790 |
| -35,350 | Past service cost adjustment | -1,520 |
| 46,274 | Employer's pensions contributions and direct payments to pensioners payable in the year | 49,554 |
| -823,404 | Balance at 31st March | -840,950 |

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.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| -8,694 | Balance at 1st April | -8,578 |
| 8,694 | Settlement or cancellation of accrual made at the end of the preceding year | 8,578 |
| -8,578 | Amounts accrued at the end of the current year | -9,500 |
| 116 | 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 | -922 |
| -8,578 | Balance at 31st March | -9,500 |

23. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|-------------------|------------------|
| 760 | Interest received | 1,107 |
| -21,780 | Interest paid | -22,794 |
| -21,020 | | -21,687 |

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

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--------------------------------------|------------------|
| 47,449 | Depreciation | 55,544 |
| -1,558 | Impairment and downward revaluations | 1,953 |
| 175 | Amortisation | 81 |
| 6,704 | Increase/(decrease) in creditors | 3,683 |
| -4,896 | (Increase)/decrease in debtors | -34,341 |
| -178 | (Increase)/decrease in inventories | -288 |
| 62,116 | Movement in pension liability | 40,756 |

Notes to the Accounts

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|---------------------------------------------------------------------------------------------------|------------------|
| -3,440 | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | -870 |
| 1,454 | Other non-cash items charged to the net surplus or deficit on the provision of services | -543 |
| 107,826 | | 65,975 |

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

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|----------------------------------------------------------------------------------|------------------|
| -34,775 | Any other items for which the cash effects are investing or financing cash flows | -47,044 |
| -34,775 | | -47,044 |

24. Reconciliation of Liabilities arising from Financing Activities

| | 2019/20 | Financing cash flows | Changes which are not financing cash flows | | 2019/20 |
|--------------------------------------------------------|----------------|-------------------------|-----------------------------------------------|---------------------------------------|----------------|
| | 1 April | | Acquisition | Other non- financing cash flows | 31 March |
| | £'000 | | £'000 | £'000 | £'000 |
| Long-term borrowings | 554,373 | -2,717 | 0 | 0 | 551,656 |
| Short-term borrowings | 6,870 | 4,021 | 0 | 0 | 10,891 |
| Lease liabilities | 0 | 0 | 0 | 0 | 0 |
| Total liabilities from financing activities | 561,243 | 1,304 | 0 | 0 | 562,547 |

| | 2018/19 | Financing cash flows | Changes which are not financing cash flows | | 2018/19 |
|--------------------------------------------------------|----------------|-------------------------|-----------------------------------------------|---------------------------------------|----------------|
| | 1 April | | Acquisition | Other non- financing cash flows | 31 March |
| | £'000 | | £'000 | £'000 | £'000 |
| Long-term borrowings | 460,982 | 93,391 | 0 | 0 | 554,373 |
| Short-term borrowings | 5,822 | 1,048 | 0 | 0 | 6,870 |
| Lease liabilities | 0 | 0 | 0 | 0 | 0 |
| Total liabilities from financing activities | 466,804 | 94,439 | 0 | 0 | 561,243 |

Notes to the Accounts

25. Trading Operations

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

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

| 2019/20 | | | |
|-----------------------------------------|-------------------|----------------------|----------------------------|
| | Turnover £'000 | Expenditure £'000 | Surplus/- Deficit £'000 |
| Council Car Parks | 4,480 | 2,247 | 2,233 |
| Grand Theatre | 2,879 | 3,989 | -1,110 |
| Indoor Market | 986 | 712 | 274 |
| Council Catering including school meals | 7,254 | 8,562 | -1,308 |
| Trade Waste | 2,283 | 1,771 | 512 |
| Swansea Marina | 305 | 272 | 33 |
| | 18,187 | 17,553 | 634 |

| 2018/19 | | | |
|-----------------------------------------|-------------------|----------------------|----------------------------|
| | Turnover £'000 | Expenditure £'000 | Surplus/- Deficit £'000 |
| Council Car Parks | 4,966 | 1,854 | 3,112 |
| Grand Theatre | 3,404 | 4,685 | -1,281 |
| Indoor Market | 1,052 | 893 | 159 |
| Council Catering including school meals | 7,081 | 7,886 | -805 |
| Trade Waste | 2,281 | 1,789 | 492 |
| Swansea Marina | 296 | 262 | 34 |
| | 19,080 | 17,369 | 1,711 |

26. Members' Allowances

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

| | 2018/19 £'000 | 2019/20 £'000 |
|--------------|------------------|------------------|
| Allowances | 1,540 | 1,580 |
| Expenses | 23 | 12 |
| Total | 1,563 | 1,592 |

Notes to the Accounts

27. Officers' Remuneration

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

Table 1 - 2019/20

| | Remuneration (including Fees & Allowances) £ | Compensation for loss of office £ | Total remuneration excluding pension contributions £ | Pension contributions (25.8%) £ | Total remuneration including pension contributions £ |
|------------------------------------------------|----------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------|
| Chief Executive (a) * | 148,584 | 0 | 148,584 | 19,167 | 167,751 |
| Deputy Chief Executive & Director of Resources | 117,550 | 0 | 117,550 | 30,263 | 147,813 |
| Director of Education | 105,941 | 0 | 105,941 | 27,333 | 133,274 |
| Director of Place | 109,853 | 0 | 109,853 | 28,067 | 137,920 |
| Director of Social Services | 111,439 | 0 | 111,439 | 28,751 | 140,190 |
| Chief Transformation Officer | 94,813 | 0 | 94,813 | 24,462 | 119,275 |
| Monitoring Officer & Chief Legal Officer | 92,355 | 0 | 92,355 | 23,740 | 116,095 |
| Section 151 Officer & Chief Finance Officer | 100,467 | 0 | 100,467 | 25,835 | 126,302 |
| Head of Vulnerable Learner Service (b) (c) | 43,055 | 0 | 43,055 | 10,997 | 54,052 |
| Head of Education Planning & Resources | 68,877 | 0 | 68,877 | 17,770 | 86,647 |
| Head of Achievement & Partnership Service | 80,790 | 0 | 80,790 | 20,844 | 101,634 |
| Head of Building Services | 73,072 | 0 | 73,072 | 18,853 | 91,925 |
| Head of Cultural Services | 86,604 | 0 | 86,604 | 22,344 | 108,948 |
| Head of Highways & Transportation | 86,604 | 0 | 86,604 | 22,344 | 108,948 |
| Head of Housing & Public Health | 73,072 | 0 | 73,072 | 18,853 | 91,925 |
| Balance c/f | 1,393,075 | 0 | 1,393,075 | 339,623 | 1,732,698 |

Notes to the Accounts

Table 1 - 2019/20 continued

| | Remuneration (including Fees & Allowances) £ | Compensation for loss of office £ | Total remuneration excluding pension contributions £ | Pension contributions (25.8%) £ | Total remuneration including pension contributions £ |
|----------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------|
| Balance b/f | 1,393,075 | 0 | 1,393,075 | 339,623 | 1,732,698 |
| Head of Planning & City Regeneration | 86,604 | 0 | 86,604 | 22,344 | 108,948 |
| Head of Property Services | 73,611 | 0 | 73,611 | 18,853 | 92,464 |
| Head of Waste, Cleansing & Parks | 86,604 | 0 | 86,604 | 22,344 | 108,948 |
| Head of Commercial Services | 75,778 | 0 | 75,778 | 19,551 | 95,329 |
| Deputy Monitoring Officer & Deputy Chief Legal Officer | 65,291 | 0 | 65,291 | 16,758 | 82,049 |
| Interim Deputy Section 151 Officer & Interim Deputy Chief Finance Officer (d) | 25,635 | 0 | 25,635 | 6,614 | 32,249 |
| Head of Communications & Marketing | 75,778 | 0 | 75,778 | 19,551 | 95,329 |
| Interim Head of Adult Services (e) | 48,911 | 0 | 48,911 | 12,619 | 61,530 |
| Head of Adult Services (f) | 36,373 | 0 | 36,373 | 11,929 | 48,302 |
| Head of Child & Family | 86,604 | 0 | 86,604 | 22,344 | 108,948 |
| Interim Chief Executive (g) | 13,833 | 0 | 13,833 | 0 | 13,833 |
| Deputy Section 151 Officer & Deputy Chief Finance Officer (h) | 33,905 | 0 | 33,905 | 8,747 | 42,652 |
| Interim Director of Education (i) | 17,140 | 0 | 17,140 | 4,422 | 21,563 |
| Balance c/f | 2,119,143 | 0 | 2,119,143 | 525,698 | 2,644,841 |

Notes to the Accounts

* In 2019/20 the Chief Executive received additional remuneration of £5,702 for Returning Officer Fees relating to General and European Elections. There is no additional remuneration to the Chief Executive for any local elections.

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

- (a) The Chief Executive returned to work following long term sickness on 2nd June 2019.
- (b) The Head of Vulnerable Learner Service was the Interim Director of Education until 1st June 2019.
- (c) The Head of Vulnerable Learner Service retired on 31st December 2019.
- (d) The Interim Deputy Section 151 Officer & Interim Deputy Chief Finance Officer is the Deputy Section 151 Officer & Deputy Chief Finance Officer since 6th September 2019.
- (e) The Interim Head of Adult Services post came to an end on the 2nd December 2019.
- (f) The Head of Adult Services returned to work following maternity leave on 12th November 2019.
- (g) The Interim Chief Executive post came to an end on 31st May 2019.
- (h) The Deputy Section 151 Officer & Deputy Chief Finance Officer commenced on 6th September 2019.
- (i) The Interim Director of Education reverted back to the Head of Vulnerable Learner Service since 1st June 2019.

Notes to the Accounts

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

Table 1 - 2018/19

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

Notes to the Accounts

Table 1 - 2018/19 continued

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

Notes to the Accounts

Table 1 - 2018/19 continued

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

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

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

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

Notes to the Accounts

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

Notes to the Accounts

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

| 2018/19 | | 2019/20 |
|---------------------|---------------------|---------------------|
| Number of employees | Remuneration Band | Number of employees |
| 48 | £60,000 - £64,999 | 50 |
| 21 | £65,000 - £69,999 | 25 |
| 13 | £70,000 - £74,999 | 14 |
| 6 | £75,000 - £79,999 | 7 |
| 8 | £80,000 - £84,999 | 9 |
| 8 | £85,000 - £89,999 | 5 |
| 3 | £90,000 - £94,999 | 5 |
| 1 | £95,000 - £99,999 | 1 |
| 1 | £100,000 - £104,999 | 2 |
| 1 | £125,000 - £129,999 | 1 |
| 110 | Total | 119 |

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

The numbers shown relate to Authority employees which predominantly include teaching staff. Senior Officers' remunerations are shown in the tables on pages 101 to 107.

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

In 2019/20 the remuneration of the Chief Executive was £148,584k (2018/19 £145,670k). This was 6.5 times (2018/19 6.9 times) the median remuneration of the organisation, which was £22,776 (2018/19 £21,151).

Notes to the Accounts

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

| 2019/20 | | | | |
|-----------------------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------------|------------------------------------------------|
| 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 | 27 | 43 | 70 | 302 |
| £20,001 - £40,000 | 1 | 14 | 15 | 161 |
| £40,001 - £60,000 | 0 | 14 | 14 | 906 |
| £60,001 - £80,000 | 0 | 3 | 3 | 213 |
| £80,001 - £100,000 | 1 | 1 | 2 | 172 |
| £100,001 - £150,000 | 1 | 2 | 3 | 342 |
| Total | 30 | 77 | 107 | 2,096 |

| 2018/19 | | | | |
|-----------------------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------------|------------------------------------------------|
| Exit package cost band (including special payments) | Number of Compulsory Redundancies | Number of other departures agreed | Total number of exit packages by cost band | Total cost of exit packages in each band £'000 |
| £0 - £20,000 | 35 | 87 | 122 | 1,002 |
| £20,001 - £40,000 | 2 | 32 | 34 | 912 |
| £40,001 - £60,000 | 2 | 13 | 15 | 754 |
| £60,001 - £80,000 | 1 | 6 | 7 | 490 |
| £80,001 - £100,000 | 0 | 5 | 5 | 439 |
| £100,001 - £150,000 | 0 | 1 | 1 | 107 |
| Total | 40 | 144 | 184 | 3,704 |

The average payback period against all early retirement / voluntary redundancy packages agreed for 2019/20 is less than 1 year.

Notes to the Accounts

28. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19 and 2019/20:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|------------------------------------------------------------------|------------------|
| | Credited to Taxation and Non Specific Grant Income | |
| 115,904 | Council Tax Income | 123,652 |
| 79,141 | Non Domestic Rates | 80,013 |
| 239,946 | Revenue Support Grant | 242,197 |
| 1,294 | 21st Century Schools Programme | 6,087 |
| 2,823 | Local Transport Fund and Local Transport Network Fund | 1,105 |
| 2,043 | Active Travel Fund | 4,410 |
| 9,185 | Housing MRA Grant | 9,210 |
| 684 | Road Safety/Safe Route in Communities | 727 |
| 1,556 | Targeted Regeneration Investment Programme | 2,901 |
| 7,497 | General Capital Grant | 6,085 |
| 2,921 | Schools Capital Maintenance grant | 3,052 |
| 1,689 | European Regional Development Fund | 1,228 |
| 234 | Coastal Risk Management Programme | 346 |
| 265 | High Street Relief | 1,943 |
| 1,187 | Highways Refurbishment grant | 1,190 |
| 0 | Innovative Housing Programme | 1,580 |
| 0 | Intermediate Care Fund | 2,177 |
| 0 | Reducing Infant Class sizes | 725 |
| 0 | Gifted Assets | 4,376 |
| 2,419 | Other Grants and Contributions | 2,677 |
| 468,788 | | 495,681 |
| | Credited to Services | |
| 8,694 | School Improvement Grant | 11,038 |
| 43,854 | Rent allowance subsidy | 39,709 |
| 34,693 | Rent rebate subsidy | 32,250 |
| 0 | Children and Communities Grant | 11,081 |
| 3,011 | Families First | 0 |
| 14,092 | Housing Support Grant | 13,953 |
| 5,244 | Department for Children, Education, Lifelong Learning and Skills | 5,375 |
| 190 | Environment and Sustainable Development Grant (ESD) | 321 |
| 896 | Housing Benefit Administration | 793 |
| 6,816 | Concessionary fares | 6,701 |
| 5,995 | Flying Start | 0 |
| 7,160 | Pupil Deprivation Grant | 6,995 |
| 537 | Communities First | 0 |
| 1,758 | Communities for Work | 421 |
| 600 | Cynnydd Project (ESF) | 448 |
| 184 | Rural Development Plan | 147 |
| 5,260 | Bus Services Support Grant (BSSG) | 4,497 |

Notes to the Accounts

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|--------------------------------------------|------------------|
| | Credited to Services | |
| 1,556 | Free Childcare | 3,184 |
| 1,095 | Sustainable Social Services | 2,361 |
| 630 | Funded Nursing Care | 151 |
| 3,611 | Integrated Care Fund | 5,574 |
| 0 | Schools Maintenance Grants (VA schools) | 793 |
| 367 | Sandfields Renewal Area | 30 |
| 304 | ENABLE grant | 304 |
| 1,305 | Sustainable Waste Management Grant (SWMG) | 1,454 |
| 194 | Affordable Housing Grant | 346 |
| 1,161 | Teacher Pay and Pensions | 3,104 |
| 1,595 | ASDL - Education Grant | 0 |
| 639 | Professional Learning Fund | 574 |
| 1,258 | SCWWDP | 999 |
| 697 | Syrian Vulnerable Persons | 506 |
| 0 | Transformation Fund | 2,133 |
| 46 | Winter Pressures | 1,052 |
| 0 | Out of School Childcare | 985 |
| 253 | Youth Support Group | 770 |
| 390 | EAL | 617 |
| 0 | Unaccompanied Asylum Seekers | 526 |
| 0 | Free School Meals | 496 |
| 291 | Pedagogy | 463 |
| 296 | RICS | 419 |
| 23 | Targeted Regeneration Investment Programme | 575 |
| 8,227 | Other Grants | 9,040 |
| 162,922 | | 170,185 |

29. Related Parties

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

a) Central Government

The Authority receives significant funding from the Welsh Government. Details of the sums received in respect of Revenue Support Grant and redistributed Non Domestic Rates are shown in the Comprehensive Income and Expenditure Statement, with details of other grant income being shown in note 28 to the Accounts.

Notes to the Accounts

b) Charitable and Voluntary Bodies

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

c) Other Bodies

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

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

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

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

Levies / Contributions paid to the two bodies were:-

| | |
|-------------------------------------|------------------------------|
| Mid and West Wales Fire Authority:- | £12.971m (2018/19: £12.631m) |
| Swansea Bay Port Health Authority:- | £0.086m (2018/19: £0.085m) |

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 2019/20 was £23.195m (2018/19 £21.008m).

d) Subsidiary, Associates and Joint Ventures

The Authority has an interest in five companies, details of which are shown on the next few pages:-

Notes to the Accounts

The National Waterfront Museum Swansea - Joint Venture

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

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

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

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

A contribution of £2,325 was made in 2019/20 (2018/19 £2,575) to National Waterfront Museum Swansea towards 50% of the governance costs of the charitable company. There were an outstanding creditor of £3,236 as at 31st March 2020 (2018/19 zero) . There was an outstanding debtor of £4,825 as at 31st March 2020 (2018/19 £33,287). The charitable company is deemed to be influenced significantly by the Authority through its representation on the Board of Trustees.

The net assets of the National Waterfront Museum Swansea at 31st March 2020 are £18,203,789 (2019 £18,419,304).

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

Notes to the Accounts

The Wales National Pool (Swansea) - Joint Venture

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

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

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

The pool complex was opened in April 2003.

Details of the Authority's transactions with the Company during the year as follows:-

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|-----------------------------------------------------------------------|------------------|
| 317 | Funding provided by the Authority towards operating costs of the pool | 363 |
| 64 | Sum paid for the free use of the pool by schools and other bodies | 47 |
| -1,027 | Recharges of wages, salaries and other costs to the Company | -1,025 |

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

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

There was an outstanding debtor of £174k (2018/19 £158k) and outstanding creditors of £207k (2018/19 zero) as at 31st March 2020.

The net assets of Wales National Pool (Swansea) Limited at 31st March 2020 were £4,222,000 (2018/19 £4,729,000).

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

Notes to the Accounts

Swansea Bay Futures Limited

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

Bay Leisure Limited - Associate

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

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

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

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

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

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

There was no funding in the Authority's revenue budget for 2019/20. An amount of £0.362m was set aside in the 18/19 revenue budget to reflect the management fee that was payable to the company.

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

Notes to the Accounts

Swansea Community Energy & Enterprise Scheme (SCEES) - Associate

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

By agreement with SCEES £5,000 of the initial investment is repaid each year. The balance of shares now owned by the Authority is 90,000 shares of £1 each.

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

There was an outstanding debtor of £5,325 at 31st March 2020 (2018/19 zero) and no outstanding creditors at 31st March 2020 (2019 zero).

The net assets of Swansea Community Energy & Enterprise Scheme at 31st March 2020 were £470,251 (2018/19 £474,767).

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

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

e) Other Organisations

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

A relation of a member of the Senior Management Team has provided therapy services to Western Bay Adoption Services via her own business. The amount paid for services provided in 2019/20 was £26,383 (2018/19 £23,852). There was also an outstanding creditor of £1,880. The senior manager's interest in this company was properly recorded in the Register of interests.

During 2019/20 a member was employed by VocalEyes Digital Democracy Ltd in Project Development. A grant was awarded to this company as part of the Swansea Rural Community Voice project. The amount paid in 2019/20 was £11,466 (2018/19 £15,692). The member's interest in this company was properly recorded in the Register of members interests which is available on the Authority's public website.

Notes to the Accounts

f) Duties imposed on Council Directors

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

g) Pension Fund

Swansea Council acts as administering Authority for the Swansea Council Pension Fund (formerly the West Glamorgan Pension Fund).

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

The Pension Fund currently has 39 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a committee. The committee is advised by two independent advisors.

30. Group Accounts

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

- National Waterfront Museum Swansea - Management Accounts for the year ending 31st March 2020.
- Wales National Pool Swansea - Management Accounts for the year ending 31st March 2020.

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 2020 and the use of current information would not be significant in relation to the group position as stated.

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

Notes to the Accounts

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

| 31st March 2018 £'000 | | 31st March 2020 £'000 |
|-----------------------------|----------------------------------------------------|-----------------------------|
| 1,066,484 | Swansea Council (Parent) | 1,123,241 |
| 9,210 | National Waterfront Museum Swansea (Joint Venture) | 9,102 |
| 12,697 | Wales National Pool (Joint Venture) | 14,600 |
| 1,088,391 | Net Assets Employed (exc. Pension Fund) * | 1,146,943 |
| -823,404 | Net Group Pension Fund Liabilities | -840,950 |
| 264,987 | Net Assets Employed | 305,993 |

* Some of the component Group assets have been valued on a different basis to that used by the Authority. If the Wales National Pool had been valued at depreciated replacement cost then the asset would have a value of £29.222m.

* The Wales National Pool currently has a net book value in the region of £4.2m. Given the material scale of the difference in value the Authority has restated their share of the higher valuation which results in an unrealised gain of £12.5m. It is expected that under the terms of the agreement the final value at the end of the lease (24th December 2023) will be zero. Therefore the difference in book valuations will be fully amortised by the 2023/24 Statement of Accounts.

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

Notes to the Accounts

31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|-------------------------------------------------------------|------------------|
| 486,479 | Opening Capital Financing Requirement | 504,878 |
| | Capital investment | |
| 81,868 | Property, Plant and Equipment | 121,370 |
| 145 | Heritage Assets | 1,059 |
| 8,242 | Investment Properties | 0 |
| 72 | Intangible Assets | 284 |
| 6,299 | Revenue Expenditure Funded from Capital under Statute | 8,169 |
| 0 | Investment | 0 |
| | Sources of finance | |
| -1,040 | Capital receipts | -5,055 |
| 0 | Capital receipts - set aside | 0 |
| -32,810 | Government grants and other contributions | -44,031 |
| | Sums set aside from revenue: | |
| -30,439 | Direct revenue contributions | -31,243 |
| -13,938 | MRP/loans fund principal | -13,625 |
| 504,878 | Closing Capital Financing Requirement | 541,806 |
| | Explanation of movements in year | |
| 16,494 | Increase in underlying need to borrowing | 35,354 |
| 511 | Assets acquired under finance leases | 287 |
| 1,394 | Other movements in year | 1,287 |
| 18,399 | Increase/(decrease) in Capital Financing Requirement | 36,928 |

32. Termination Benefits

During 2019/20 the Authority incurred significant expenditure in terms of redundancy costs paid to leavers together with costs incurred in compensation payments to the Local Government Pension Fund in respect of early access pension costs.

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

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

Costs were incurred relating to redundancy payments and early access to pension costs totalling £2.096m (2018/19 £3.704m) for the year.

These costs include provision for costs for a limited number of employees whose service will be terminated in 2020/21 but who had been offered - and accepted - severance terms as at 31st March 2020.

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

The above costs include both teaching and non teaching staff.

33. Pension Schemes Accounted For As Defined Contribution Schemes

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

Notes to the Accounts

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

The scheme has in excess of 11,000 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31st March 2020, the Authority's own contributions equate to approximately 0.2%.

In 2019/20 the Authority paid £15.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 20.7% of pensionable pay. The figures for 2018/19 were £12.2m and 16.5%. The March 2020 contributions of £1,502,767 were paid on the 7th April 2020. The contributions due to be paid in the next financial year are estimated to be £18.3m at an employer rate of 23.68%.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 34.

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

34. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in two post-employment schemes:

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

Notes to the Accounts

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

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

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-employment Benefits

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

Notes to the Accounts

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

| | Local Government Pension Scheme | | Discretionary Benefits Arrangements | |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------|-------------------------------------|---------------|
| | 2019/20 £m | 2018/19 £m | 2019/20 £m | 2018/19 £m |
| Comprehensive Income and Expenditure Statement | | | | |
| Net Cost of Services: | | | | |
| Current service cost | 69.61 | 55.13 | 0.00 | 0.00 |
| Past service costs | 1.52 | 35.35 | 0.00 | 0.00 |
| Financing and Investment Income and Expenditure | | | | |
| Net interest expense | 16.86 | 15.40 | 2.32 | 2.51 |
| Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services | 87.99 | 105.88 | 2.32 | 2.51 |
| Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement | | | | |
| Remeasurement of the net defined benefit liability comprising: | | | | |
| Return on plan assets | 145.14 | -57.54 | 0 | 0 |
| Actuarial gains and losses arising on changes in demographic assumptions | -68.43 | 0 | -3.25 | 0 |
| Actuarial gains and losses arising on changes in financial assumptions | -37.95 | 101.23 | -0.91 | 2.95 |
| Other | -57.34 | 2.33 | -0.47 | 0.29 |
| Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement | 69.41 | 151.90 | -2.31 | 5.75 |
| Movement in Reserves Statement | | | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code | -87.99 | -105.88 | -2.32 | -2.51 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | |
| Employers' contributions payable to the scheme | 43.55 | 40.42 | | |
| Retirement benefits payable to pensioners | | | 6.00 | 5.85 |

Notes to the Accounts

Pension Assets and Liabilities Recognised in the Balance Sheet

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

| | Local Government Pension Scheme | | Discretionary Benefits Arrangements | |
|--------------------------------------------------------------|---------------------------------|----------------|-------------------------------------|---------------|
| | 2019/20 £m | 2018/19 £m | 2019/20 £m | 2018/19 £m |
| Present value of the defined benefit obligation | 1,838.96 | 1,919.58 | 91.20 | 99.51 |
| Fair value of plan assets | 1,089.20 | 1,195.68 | 0.00 | 0.00 |
| Net liability arising from defined benefit obligation | -749.76 | -723.90 | -91.20 | -99.51 |

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

| | Local Government Pension Scheme | | Discretionary Benefits Arrangements | |
|--------------------------------------------------------------------------------------|---------------------------------|-----------------|-------------------------------------|---------------|
| | 2019/20 £m | 2018/19 £m | 2019/20 £m | 2018/19 £m |
| Opening fair value of scheme assets | 1,195.68 | 1,093.97 | 0.00 | 0.00 |
| Interest income | 28.82 | 28.65 | 0.00 | 0.00 |
| Remeasurement gain/(loss): | | | | |
| The return on plan assets, excluding the amount included in the net interest expense | -145.14 | 57.54 | 0.00 | 0.00 |
| Contributions from employer | 43.55 | 40.42 | 6.00 | 5.85 |
| Contributions from employees into the scheme | 10.67 | 10.32 | 0.00 | 0.00 |
| Benefits paid | -44.38 | -35.22 | -6.00 | -5.85 |
| Closing fair value of scheme assets | 1,089.20 | 1,195.68 | 0.00 | 0.00 |

Notes to the Accounts

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

| | Funded Liabilities: Local Government Pension Scheme | | Unfunded Liabilities: Discretionary Benefits Arrangements | |
|------------------------------------------------------------------------|-----------------------------------------------------------|-----------------|-----------------------------------------------------------------------|---------------|
| | 2019/20 £m | 2018/19 £m | 2019/20 £m | 2018/19 £m |
| Opening Balance at 1st April | 1,919.58 | 1,706.39 | 99.51 | 99.61 |
| Current service cost | 69.61 | 55.13 | 0.00 | 0.00 |
| Interest cost | 45.68 | 44.05 | 2.32 | 2.51 |
| Contributions from scheme participants | 10.67 | 10.32 | 0.00 | 0.00 |
| Remeasurement (gains) and losses: | | | | |
| Actuarial gains/losses arising from changes in demographic assumptions | -68.43 | 0.00 | -3.25 | 0.00 |
| Actuarial gains/losses arising from changes in financial assumptions | -37.95 | 101.23 | -0.91 | 2.95 |
| Other | -57.34 | 2.33 | -0.47 | 0.29 |
| Past service cost | 1.52 | 35.35 | 0.00 | 0.00 |
| Benefits paid | -44.38 | -35.22 | -6.00 | -5.85 |
| Closing balance at 31st March | 1,838.96 | 1,919.58 | 91.20 | 99.51 |

Local Government Pension Scheme assets comprised:

| | Fair value of scheme assets | |
|-----------------------------------|--------------------------------|------------------|
| | 2019/20 £'000 | 2018/19 £'000 |
| Cash and cash equivalents | 43,669 | 65,017 |
| | 43,669 | 65,017 |
| Pooled Equity Investment Vehicles | | |
| - UK | 0 | 181,491 |
| - Global * | 1,393,278 | 1,313,749 |
| | 1,393,278 | 1,495,240 |
| Property | 99,854 | 69,519 |
| | 99,854 | 69,519 |

Notes to the Accounts

| | Fair value of scheme assets | |
|---------------------|--------------------------------|------------------|
| | 2019/20 £'000 | 2018/19 £'000 |
| Fixed Interest: | | |
| - Fixed Interest | 223,917 | 213,992 |
| - Index-Linked | 35,111 | 34,385 |
| | 259,028 | 248,377 |
| Hedge Funds | 49,971 | 54,168 |
| | 49,971 | 54,168 |
| Private Equity | 100,080 | 86,625 |
| | 100,080 | 86,625 |
| Infrastructure | 33,635 | 18,501 |
| | 33,635 | 18,501 |
| Private Debt | 11,563 | 0 |
| | 11,563 | 0 |
| Derivatives | 1,811 | 3,598 |
| | 1,811 | 3,598 |
| Cash Funds | 773 | 767 |
| | 773 | 767 |
| Net Current Assets | 1,933 | 2,226 |
| | 1,933 | 2,226 |
| Total Assets | 1,995,595 | 2,044,038 |

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

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 2019.

The significant assumptions used by the Actuary have been:

| | Local Government Pension Scheme | | Discretionary Benefits | |
|-------------------------------------------------|---------------------------------|---------|------------------------|---------|
| | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| Mortality assumptions: | | | | |
| Longevity at 65 for current pensioners: (years) | | | | |
| - Men | 22.2 | 23.0 | 22.2 | 23.0 |
| - Women | 24.2 | 24.6 | 24.2 | 24.6 |
| Longevity at 65 for future pensioners: (years) | | | | |
| - Men | 23.2 | 24.7 | | |
| - Women | 25.7 | 26.4 | | |
| Rate of inflation % | 2.0 | 2.2 | 2.0 | 2.2 |
| Rate of increase in salaries % | 3.5 | 3.7 | | |
| Rate of increase in pensions % | 2.0 | 2.2 | 2.0 | 2.2 |
| Rate for discounting scheme liabilities % | 2.3 | 2.4 | 2.3 | 2.4 |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Notes to the Accounts

| | Impact on the Defined Benefit Obligation in the Scheme | |
|------------------------------------------------------------------------|-----------------------------------------------------------|---------------------------------|
| | Increase in Assumption £m | Decrease in Assumption £m |
| Longevity (increase or decrease in 1 year) | 1,779.54 | 1,898.99 |
| Rate of increase in salaries (increase or decrease by 0.1%) | 1,845.20 | 1,832.79 |
| Rate of increase in pensions (increase or decrease by 0.1%) | 1,872.65 | 1,806.00 |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 1,801.12 | 1,877.59 |

Asset and Liability Matching (ALM) Strategy

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

As is required by the pensions and investment regulations the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (78.4% of scheme assets) and bonds (11%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments. There is a limited use of derivatives to manage the bond risk for the shorter-term instruments. The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is as at 31st March 2022.

Notes to the Accounts

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

The Authority expects to pay £43.15m contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 20.8 years (2018/19 17.9 years).

35. Contingent Liabilities

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

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

Notes to the Accounts

| Nature of Liability | Potential Financial Effect £'000 | Comment | Timing |
|----------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Infrastructure and retaining walls | Unknown | There are potential claims regarding infrastructure and retaining walls which may be taken against the Authority - such claims will be rigorously defended through the Authority's insurers and any successful claims will be met from future capital or revenue funding. | Unknown |
| Equal pay and Equal Value claims | Unknown | <p>During 2008/2009 and 2009/10, in common with many other local authorities, the Authority made payments to certain staff in full settlement of potential equal pay claims. However, a number of claims remained unsettled and a considerable number of additional claims were subsequently received. The Authority has settled the majority of the liabilities by the 31st March 2016 but there are still some costs yet to be incurred.</p> <p>There is a potential for further (as yet unknown) claims in respect of equal pay claims and in respect of equal value claims which are not provided for in these accounts.</p> | 2020/21 |
| Landlord / Tenant Liability Claims | Unknown | There is potential risk around lease/HRA properties where there are disputes as to whether it is a tenant or landlord property maintenance obligation. | Unknown |
| Retention or Clawback on Grant and Contract Claims | Unknown | The Council undertakes a range of activities under which payment is made specifically on evidenced performance over an extended period. Full receipt is not guaranteed until the end of the grant or contract period. There is potential risk that grant clawback may arise if not all grant terms and conditions are fulfilled. | Unknown |
| Flooding | Unknown | There are potential claims regarding flooding which may be taken against the Authority - such claims will be rigorously defended through the Authority's insurers and any successful claims will be met from future capital or revenue funding. | Unknown |

Notes to the Accounts

| Nature of Liability | Potential Financial Effect £'000 | Comment | Timing |
|-------------------------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| Legal and Insurance related matters | Unknown | The Council is regularly challenged on a range of issues that are either subject to litigation or insurance claims. The Council at all times will vigorously defend such claims, and in cases where claims are identified, the result can be anticipated and the potential financial effect evaluated then adequate provision is made with the Accounts for any such liabilities. There remains the possibility however of future claims arising as a result of past actions that are either unknown at the Balance Sheet date or where the outcome is so unpredictable in terms of outcome or financial liability that no reliable estimate of liability can be made. | Unknown |
| City Deal | £11.487m | The Council has incurred, and continues to do so, significant initial work up costs on a range of regeneration and redevelopment schemes within the City Centre using a mix of its own funds and Welsh Government support. These continue to be considered capitalisable and thus treated as capital where appropriate but the final build out of schemes is heavily contingent upon decisions by the UK and Welsh Government over individual business cases under the City Deal and the terms and conditions of any final City Deal grant offer, and further funding flexibilities. If schemes were not to progress, for any reason, the costs incurred to date would potentially need to be written back to revenue. | 2018/19 and then up to 15 years thereafter |
| Client care costs | Circa £1m | The interface between local authority social care, and to a much lesser extent some specialist education provision, and local health boards and other local authorities is a complex one involving discussion and decisions on lead responsibility for payment of client care costs, and in some cases appropriate sharing of costs. | Ongoing |

Notes to the Accounts

| Nature of Liability | Potential Financial Effect £'000 | Comment | Timing |
|---------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Covid-19 | Unknown | Towards the end of the financial year the Authority in line with actions around the whole world was repurposed to respond to the growing Covid-19 pandemic as an emergency responder to save lives and keep essential services running. Costs incurred at this stage, future costs, plus income foregone now, and for the immediate future, and the impact across all operations, and partners, including UK and Welsh Governments cannot be assessed with any accuracy at year end but are bound to be very substantial for Swansea Council alone (expected to be many tens of millions of pounds). It will have a profound and material impact on the coverage of the accounts, their completeness, timeliness and accuracy. | 2020/21 |

36. Council Tax

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

The Council Tax base is the number of properties in each band adjusted by a multiplier to convert the number to band 'D' equivalent and adjusted for discounts. The base was 90,069 in 2019/2020 (89,962 in 2018/2019).

Analysis of the net proceeds from Council Tax:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|-------------------------------------------------|------------------|
| 137,096 | Council tax collectable | 146,406 |
| -884 | Less:- Provision for non payment of Council tax | -1,295 |
| -20,308 | Less:- Council Tax Support Scheme | -21,459 |
| 115,904 | Net proceeds from Council Tax | 123,652 |

Application of Council Tax proceeds:

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|----------------------------------------|------------------|
| 135,137 | City & County of Swansea precept | 144,310 |
| 1,403 | Community Council precept | 1,465 |
| 136,540 | Council Tax requirement | 145,775 |
| -20,308 | Less:- Council Tax Support Scheme | -21,459 |
| -328 | Transfer to reserves (Surplus/Deficit) | -664 |
| 115,904 | Net application of proceeds | 123,652 |

37. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount of the rate per pound of rateable value which for 2019/20 was 0.526p (0.514p in 2018/19) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR Pool administered by the Welsh Government. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

38. Nature and extent of risks arising from Financial Instruments

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

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

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

Credit Risk

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

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

Credit Risk Management Practices

The Authority's credit risk management practices are set out in the Annual Treasury Management Investment Strategy presented to Council in February 2020.

Notes to the Accounts

Amounts Arising from Expected Credit Losses

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

Loss allowance by Asset Class

| Asset Class (amortised cost) | 12-month expected credit losses £'000 | Lifetime expected credit losses – not credit impaired £'000 | Lifetime expected credit losses – credit impaired £'000 | Lifetime expected credit losses – simplified approach £'000 | Purchased or originated credit impaired financial assets £'000 | Total £'000 |
|----------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------|----------------|
| Opening balance as at 1 April 2019 | 0 | 0 | 0 | 2,989 | 0 | 2,989 |
| Transfers: | | | | | | |
| • Individual financial assets transferred to 12-month expected credit losses | 0 | 0 | 0 | 0 | 0 | 0 |
| • Individual financial assets transferred to lifetime expected credit losses | 0 | 0 | 0 | 0 | 0 | 0 |
| • Individual financial assets transferred to lifetime expected credit losses credit impaired | 0 | 0 | 0 | 0 | 0 | 0 |
| New financial assets originated or purchased | 0 | 0 | 0 | 3,411 | 0 | 3,411 |
| Amounts written off | 0 | 0 | 0 | -175 | 0 | -175 |
| Financial assets that have been derecognised | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes due to modifications that did not result in derecognition | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes in models/risk parameters | 0 | 0 | 0 | 0 | 0 | 0 |
| Other changes | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as at 31 March 2020 | 0 | 0 | 0 | 6,225 | 0 | 6,225 |

Notes to the Accounts

Loss allowance by Asset Class - Comparative year information

| Asset Class (amortised cost) | 12-month expected credit losses £'000 | Lifetime expected credit losses – not credit impaired £'000 | Lifetime expected credit losses – credit impaired £'000 | Lifetime expected credit losses – simplified approach £'000 | Purchased or originated credit impaired financial assets £'000 | Total £'000 |
|----------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------|----------------|
| Opening balance as at 1 April 2018 | 0 | 0 | 0 | 2,567 | 0 | 2,567 |
| Transfers: | | | | | | |
| • Individual financial assets transferred to 12-month expected credit losses | 0 | 0 | 0 | 0 | 0 | 0 |
| • Individual financial assets transferred to lifetime expected credit losses | 0 | 0 | 0 | 0 | 0 | 0 |
| • Individual financial assets transferred to lifetime expected credit losses credit impaired | 0 | 0 | 0 | 0 | 0 | 0 |
| New financial assets originated or purchased | 0 | 0 | 0 | 607 | 0 | 607 |
| Amounts written off | 0 | 0 | 0 | -185 | 0 | -185 |
| Financial assets that have been derecognised | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes due to modifications that did not result in derecognition | 0 | 0 | 0 | 0 | 0 | 0 |
| Changes in models/risk parameters | 0 | 0 | 0 | 0 | 0 | 0 |
| Other changes | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as at 31 March 2020 | 0 | 0 | 0 | 2,989 | 0 | 2,989 |

Notes to the Accounts

Credit Risk Exposure

The Authority has the following exposure to credit risk at 31 March 2020:

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

Liquidity Risk

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

The maturity structure of financial liabilities at nominal value is as follows:

| On 31 March 2019 £'000 | Loans outstanding | On 31 March 2020 £'000 |
|------------------------------|------------------------|------------------------------|
| 55,017 | Less than 1 year | 62,111 |
| 3,001 | Between 1 and 2 years | 1 |
| 730 | Between 2 and 5 years | 6,094 |
| 53,824 | Between 5 and 10 years | 66,331 |
| 495,497 | More than 10 years | 478,362 |
| 608,069 | Total | 612,899 |

All trade payables are included in less than one year.

Notes to the Accounts

Market Risk

Interest rate risk

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

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates - the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance.

The Authority has a number of strategies for managing interest rate risk. The policy is to have up to a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

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

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher than market rate with all other variables held constant, the financial effect would be:

| | 2019/20 £'000 |
|-----------------------------------------------------------------------|------------------|
| Increase in interest payable on variable rate borrowings | 401 |
| Increase in interest receivable on variable rate investments | 0 |
| Increase in government grant receivable for financing costs | 246 |
| Impact on Surplus or Deficit on the Provision of Services | 647 |
| Share of overall impact debited to the Housing Revenue Account | 120 |
| Decrease in fair value of fixed rate investment assets | 0 |
| Impact on Other Comprehensive Income and Expenditure | 0 |

Notes to the Accounts

| | 2019/20 £'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive I&E) | 122,328 |

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

Price Risk

The Authority does not generally invest in traditional equity shares.

Foreign Exchange Risk

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

Housing Revenue Account Income and Expenditure Statement

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

| 2018/19 £'000 | | Note | 2019/20 £'000 |
|------------------|--------------------------------------------------------------------------------------------------------------------------|------|------------------|
| 13,811 | Repairs and maintenance | | 13,519 |
| 13,589 | Supervision and management | | 14,335 |
| 817 | Rent, rates, taxes and other charges | | 772 |
| 5,938 | Depreciation and impairment of non-current assets | 3 | 5,664 |
| 70 | Debt management costs | | 71 |
| 34,225 | Total Expenditure | | 34,361 |
| -61,631 | Dwelling rents | | -63,268 |
| -117 | Non-dwelling rents | | -99 |
| -2,884 | Charges for services and facilities | | -3,169 |
| -1,280 | Contributions towards expenditure | | -1,359 |
| -65,912 | Total Income | | -67,895 |
| -31,687 | Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement | | -33,534 |
| 715 | HRA services' share of Corporate and Democratic Core | | 754 |
| -30,972 | Net cost for HRA services | | -32,780 |
| | HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement: | | |
| 6,744 | Interest payable and similar charges | | 6,860 |
| -62 | Interest and investment income | | -32 |
| 1,088 | Impairment Losses | | 1,113 |
| 895 | Net interest on the net defined benefit liability (asset) | | 959 |
| -9,185 | Capital grants and contributions receivable | | -9,210 |
| -31,492 | Surplus(-)/Deficit for the year on HRA services | | -33,090 |

Movement on the HRA Balance

| 2018/19 £'000 | | 2019/20 £'000 |
|------------------|-------------------------------------------------------------------------------|------------------|
| 6,781 | Balance on the HRA at the end of the previous year | 6,156 |
| 31,492 | Surplus or (deficit) for the year on the HRA Income and Expenditure Statement | 33,090 |
| -32,117 | Adjustments between accounting basis and funding basis under statute | -33,905 |
| -625 | Net decrease before transfers to or from reserves | -815 |
| 0 | Transfers to/(from) earmarked reserves | 0 |
| -625 | Increase or (decrease) in the year on the HRA | -815 |
| 6,156 | Balance on the HRA at the end of the current year | 5,341 |

Adjustments between accounting basis and funding basis under statute

Adjustments to Revenue Resources

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

| | | |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 1,615 | Pension costs (transferred to (or from) the Pensions Reserve) | 2,207 |
| 0 | Financial instruments (transferred to the Financial Instruments Adjustment Account) | 0 |
| 7 | Holiday pay (transferred to the Accumulated Absences Reserve) | -4 |
| -3,247 | Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account): | -3,546 |
| -1,625 | Total Adjustments to Revenue Resources | -1,343 |

Adjustments between Revenue and Capital Resources

| | | |
|----------------|-------------------------------------------------------------------------------------------------|----------------|
| -2,992 | Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | -3,038 |
| -27,500 | Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | -29,524 |
| -30,492 | Total Adjustments between Revenue and Capital Resources | -32,562 |
| -32,117 | Total Adjustments | -33,905 |

Notes to the Housing Revenue Account

1. Housing Stock

As at 31st March 2020 the Authority owned a total of 13,530 properties, made up of different types of dwelling including detached houses, semi-detached houses, bungalows, low level flats, high rise accommodation and sheltered accommodation.

The change in stock numbers can be summarised as follows:

| 31/03/2019 | | 31/03/2020 |
|---------------|---------------------------------------|---------------|
| Units | | Units |
| 13,528 | Stock at 1 st April | 13,525 |
| 3 | Additions | 5 |
| -6 | Taken out of income | 0 |
| 13,525 | Stock at 31st March | 13,530 |

2. Capital expenditure

During 2019/20 £53.438m (2018/19 £42.070m) was spent on HRA Properties.

This was financed as follows:-

| 2018/19 | | 2019/20 |
|---------------|----------------------------------|---------------|
| £'000 | | £'000 |
| 9,185 | Grants – Major Repairs Allowance | 9,210 |
| 0 | Grants - Other | 1,754 |
| 96 | Capital Contributions | 54 |
| 27,500 | Revenue and Balances | 29,524 |
| 5,289 | Borrowing | 12,896 |
| 42,070 | Total | 53,438 |

The Major Repairs Allowance was used in full in 2019/20 and 2018/19.

3. Depreciation charges and impairment

The total charge for depreciation and impairment made to the HRA for 2019/20 amounted to £5.664m (2018/19 £5.938m) and is analysed as follows:-

| 2018/19 | | 2019/20 |
|--------------|------------------------------------|--------------|
| £'000 | | £'000 |
| | Depreciation on operational assets | |
| 5,754 | - dwellings | 5,818 |
| 32 | - other property | 19 |
| | Revaluation Losses | |
| 141 | - dwellings | -177 |
| 11 | - other property | 0 |
| | Impairment | |
| 0 | - dwellings | 0 |
| 0 | - other property | 4 |
| 5,938 | Total | 5,664 |

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

1. Scope of Responsibility

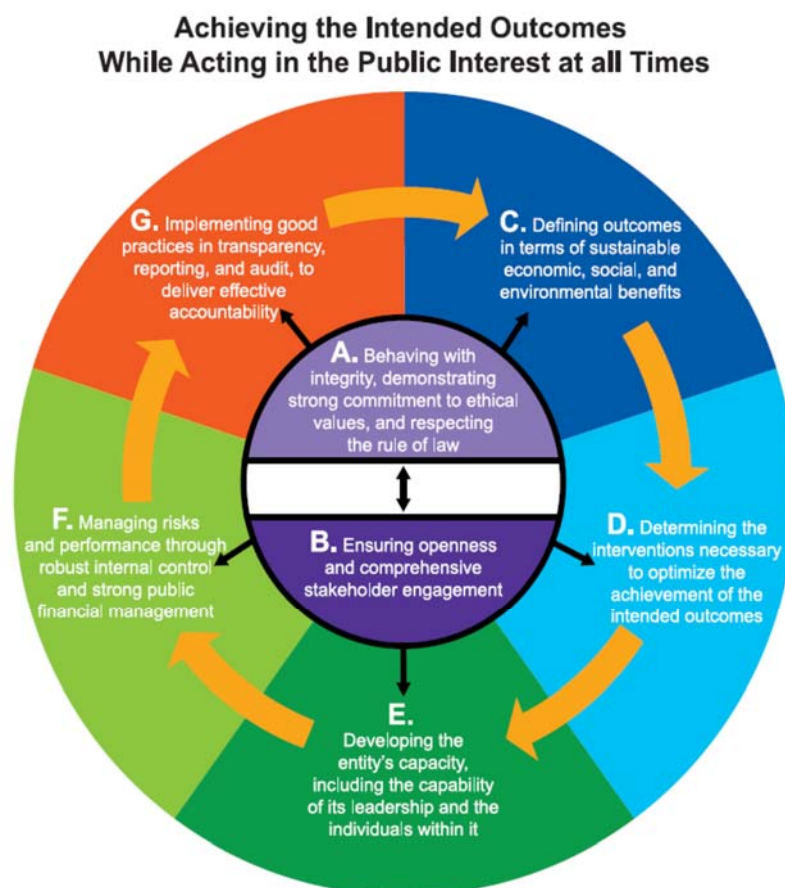
- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The City and County of Swansea adopted a Code of Corporate Governance on 24 August 2017, which is consistent with the principles of the new CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government 2016*'. A copy of the Code can be found on the Council's website.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

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



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

- 3.3 The 7 key principles are:

- A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B) Ensuring openness and comprehensive stakeholder engagement.
- C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.

- F) Managing risks and performance through robust internal control and strong public financial management.
 - G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.4 The application of the principles of good governance is summarised below which sets out supporting information for the 7 key principles.
- 3.5 **Note - This Governance Statement and the issues set out within are likely to continue to be materially affected by the COVID-19 pandemic. The full-scale of the impact that the Authority faces responding locally and nationally to the crisis remains unclear. In addition, the national lock down arrangements and the prioritisation of the response to COVID-19 has affected the preparation of the Statement. However, it should be noted that the Statutory Governance Chief Officers are resolved to maintain appropriate corporate grip to ensure that sufficient governance is maintained throughout this unprecedented crisis and during the recovery.**

Principle A

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

Sub Principles:

Behaving with Integrity

Demonstrating strong commitment to ethical values

Respecting the rule of law

How we do this:

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

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

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

Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub Principles:

Openness

Engaging comprehensively with institutional stakeholders

Engaging stakeholders effectively, including individual citizens and service users

How we do this:

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

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

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

Principle C

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

Sub Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this:

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

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

Principle D

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

Sub Principles:

Determining interventions

Planning interventions

Optimising achievement of intended outcomes

How we do this:

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

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

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

Principle E

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

Sub Principles:

Developing the entity's capacity

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

How we do this:

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

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

Annual Governance Statement 2019/20

Principle F

Managing risks and performance through robust internal control and strong public financial management

Sub Principles:

Managing risk

How we do this:

- Risk management is an integral part of decision making supported by:
- A revised Corporate Risk Management Policy with clear nominated officer responsibility.
- New risk register application.
- Monthly review of risks by CMT.
- Monthly review of Directorate Risks at PFM meetings.
- The publication of Corporate & Directorate Risks allowing greater scrutiny.
- The Audit Committee regular review of risks (see para 8.11)

Managing performance

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

Robust internal control

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

Managing data

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

Strong public financial management

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

Principle G

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

Sub Principles:

Implementing good practice in transparency

Implementing good practices in reporting

Assurance and effective accountability

How we do this

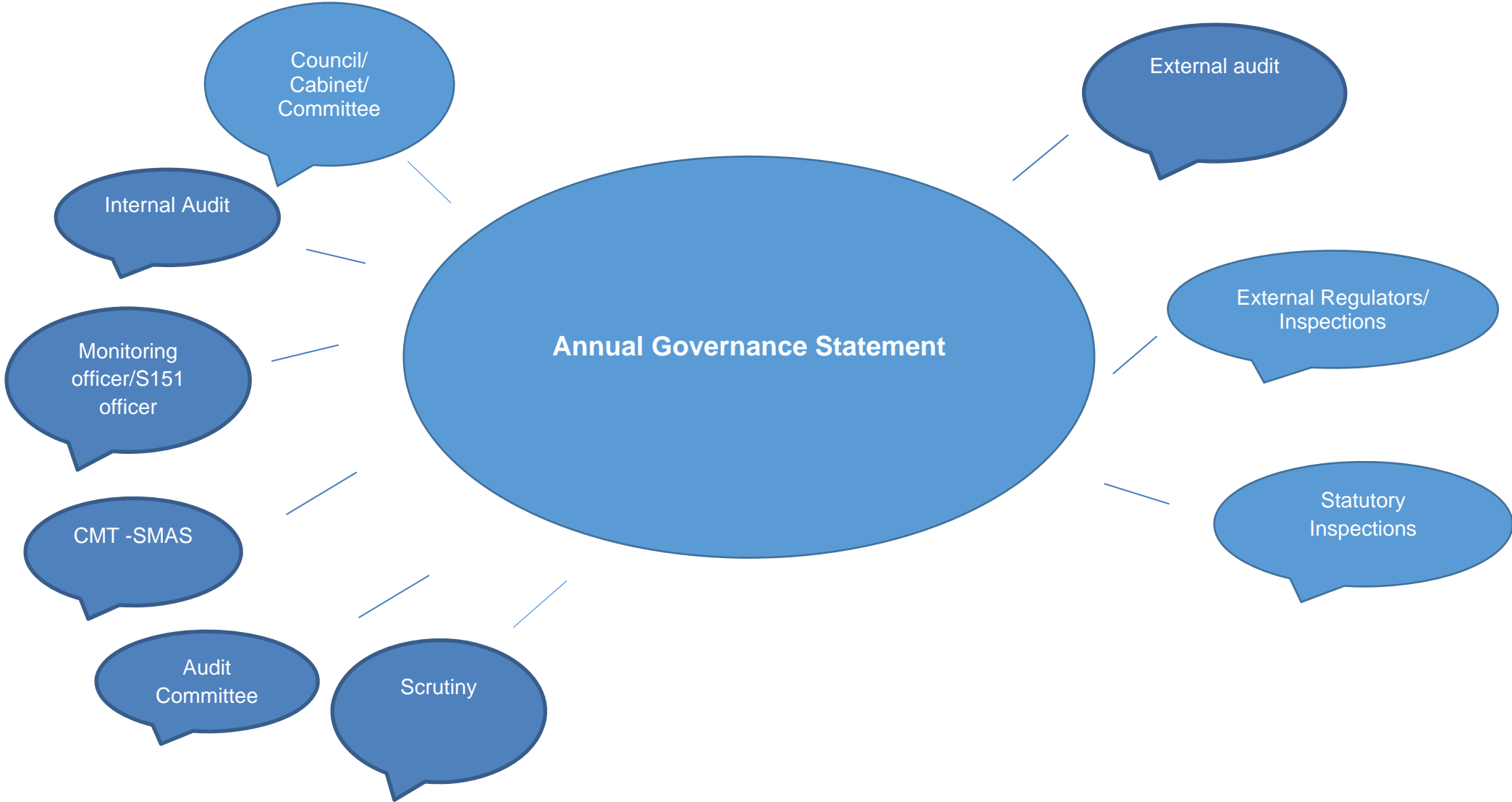
- The Council aims to present understandable and transparent reports for both stakeholders and the public which is supported by:-
- - A Report Authors Protocol which ensures consistency in reports.
- A Clear Writing guide for Officers.
- All reports are signed off by Cabinet Member, legal, finance and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

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

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

Internal Assurance

External Assurance



4. Review of Effectiveness

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

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

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

INTERNAL SOURCES OF ASSURANCE

5 Corporate Management Team/SMAS

5.1 The Senior Management Assurance Statements (SMAS) form part of the governance assessment framework. Through the SMAS each Director responds to 15 good governance statements covering:

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

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

5.3 The Four SMAS from the Directors of Corporate Resources, Social Services, Place and Education are challenged and reviewed at CMT. The Director of Social Services submitted a SMAS for the directorate and a further two, one each for Adult Services and Child & Family.

5.4 The assurance statements summarised by 9 categories showed overall that there were no categories that were deemed as being “Not in place” or with “Limited Application”. A small number (4.6%) of categories were regarded as showing “Mixed Application”. These categories were: Performance Reviews (2); Data breaches / security (2); Partnership Governance (1) and Future Generations Act (1). These have been captured in the significant governance

risks for 2020/21 where relevant. However, 69% demonstrated “Strong Application” and 26% were described as “Embedded”.

- 5.5 The Council established an Annual Governance Group for the purpose of challenging the SMASs and assisting and overseeing the development of the Annual Governance Statement. The Group is led by the Deputy Chief Executive and members include the Council’s Section 151 Officer and Monitoring Officer, as well as the Strategic Delivery & Performance Manager and a member of the Audit Committee. The Chief Internal Auditor attends in an advisory capacity. The work of the Group in reviewing the SMASs and finalising the Annual Governance Statement and CMT in reviewing and approving the SMASs and Statement was disrupted by the COVID-19 situation. CMT reviewed the SMAS and draft Annual Governance Statement on 11th May 2020. The Significant Governance Issues for 2020/21 as identified by CMT are those set out below.

6. The Monitoring Officer

- The Chief Legal Officer is the Monitoring Officer with a specific duty to ensure that the Council, Officers and Members maintain the highest ethical standards of conduct. The Standards Committee has the responsibility for monitoring the ethical standards of conduct and to deal with any breaches of the Code referred to the Committee by the Public Service Ombudsman (PSOW).
- In 2019/20 the Monitoring Officer was notified of 14 complaints relating to members conduct by the PSOW. The PSOW decided not to investigate 10 of those complaints. Three complaints were investigated with no outcome yet and 1 complaint is outstanding. There are regular PSOW bulletins circulated to all councillors as to Code of Conduct issues.
- During 2018 and 2019 the Standards Committee interviewed the Leader, Leaders of the Opposition, the Chairs of Planning, Democratic Services and Licensing Committees and the Chief Executive. All those interviewed indicated their support for the Code of Conduct and their commitment to maintaining the highest ethical standards amongst councillors.
- An audit of officer gifts and hospitality was undertaken in 2018/19 with recommendations to improve consistency across departments. Members and officers are required to register their personal interests, gifts and hospitality with regular reminders sent out by the Head of Democratic Services. A Gifts and Hospitality Policy is currently under review.
- The Monitoring Officer has not had to issue any statutory Section 5 Local Government and Housing Act 1989 reports during 2019/20.
- A number of amendments to the Constitution were adopted by Council including a new Call-In procedure enabling greater scrutiny of Cabinet decisions and changes to the Financial Procedure and Contract Procedure Rules. Further work is being undertaken by the Monitoring Officer and Head of Democratic Services in terms of publication of officer delegated decisions. At the outset of

COVID-19 it was anticipated that emergency decisions would need to be made rapidly and also set in the context of new emerging legislation which would need to be monitored on a daily basis.

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

7. The S151 Officer

- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2019/20. The reports consistently identified some service revenue budget overspends at year end, albeit reducing throughout the year and by third quarter down to a miniscule margin of variation, so that underspend was as likely as overspend based on available information and stressed the need for service expenditure to be if at all possible contained within the budget set by Council. Towards the year-end the local Health Board settled £5m of long standing debt, for which full bad debt provision had been made, enabling Social Services to record a £5m one off underspend. Total service underspending has now been confirmed (at just under £7.5m) and is an extremely good outcome. On even more positive note the equally fully planned substantial continued underspending on capital financing (£7.5m) and contingency and central inflation (around £6m) has enabled sums to be added to the capital equalisation reserve and carried forward on contingency which is a prudent way of planning for and addressing some of, the future certain increased costs of financing the ambitious mid-term capital programme and the uncertainty of COVID-19.
- No **Mid Term Budget Statement 2019/20** was presented this year given the substantially delayed settlement due to the December General Election but the **Review of Reserves** was presented to Council on 24/10/19 which provided a strategic and focussed assessment of the current year's financial performance and an update on strategic planning assumptions over the next 3 financial years. The conclusion of the Statement was that the Council would potentially struggle to deliver within the overall resources identified to support the budget in 2020/21 and beyond unless the local government settlement was much enhanced (which was duly confirmed by February 2020). The likely projected outturn was dependent upon the willingness and ability of the Council to reduce and restrict ongoing expenditure across all areas.
- The Revenue and Capital Budgets were approved by Council on 05/03/20. They continued to set out an ambitious programme of approved capital spending plans and future capital spending plans (partly financed by the Swansea Bay City Deal but predominantly by unsupported borrowing) which would require budget savings to be delivered to help facilitate that major capital investment and economic regeneration stimulus. These plans are likely to be materially affected by COVID-19. It remains entirely unclear as to the scale of additional spending, the loss of income, and the funding arrangements for reimbursement in part, or in full, that the authority faces in responding both locally, with partners, and supporting the national strategic response to the

COVID-19 pandemic. The impact was not directly financially material on the 2019-20 accounts but the national lock down arrangements and the prioritisation of the response to COVID-19 may have impaired our ability to fully prepare the accounts to our normally exceptionally high standards in line with accounting standards. Any necessary deviation caused will be disclosed separately throughout these accounts. The impact will be very financially material for the 2020-21 accounts (many tens of millions of pounds) but its net impact is less clear: by way of exemplification our increased costs, and lost income, will far exceed available reserves so the presumption is that all, or the very vast bulk of all, costs will be reimbursed by partners, Welsh Government or UK government through contributions or grant. The S151 officer triggered the necessary mechanisms for the Emergency Financial Assistance Scheme with Welsh Government in March 2020.

- The **Medium Term Financial Plan 2021/22 – 2023/24** was approved by Council on 05/03/2020. The Plan outlined the range of options around funding faced by the Council over the period, the key reliance on the scale and value of future local government finance settlements and the strategy to be adopted to address the various scenarios as well as the inherent risks to the success of the adopted strategy. All spending and funding assumptions were set before the full substantial economic scale of the COVID-19 pandemic was fully apparent. 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.
- Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.
- The **Wales Audit Office Annual Audit Summary 2019** dated March 2020 (and referred to below) noted that the Council has put in place proper arrangements to secure value for money from the resources it uses. Significant challenges remain particularly in terms of delivering timely transformation against the backdrop of a challenging financial position. . This reflected external auditor concerns that the Council continues to face a significant financial challenge and needs to deliver its savings plans at the pace and scale required whilst controlling service spending within budgets. The Council is seeking to address this through a refresh of its programme for transformation to ensure that planned actions are of sufficient scale and pace.
- The Council is the Administering Authority for the City and County of Swansea Pension Fund (the Pension Fund) and Swansea Bay Port Health Authority (SBPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and SBPHA. There are further specific requirements for the Pension Fund which are:

- Investment Strategy Statement.

- Internal Dispute Resolution Process.
- Funding Strategy Statement.
- Administration Strategy Statement.
- A full actuarial valuation to be carried out every third year.
- Communications Strategy Statement.

8. Chief Internal Auditor's Internal Control Opinion

- 8.1 The system of internal control is designed to help the Council manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.
- 8.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.
- 8.3 There has been a marginal increase in the number of audits receiving a moderate level of assurance since 2018/19. The Audit Committee has been made aware of the various moderate assurance reports that have been issued in 2019/20 as the summary details of these audits have been included in the quarterly monitoring reports. In addition, the committee has received updates from the relevant client department representatives for all of the moderate reports issued in year. A consistent theme running through the majority of the moderate audits issued in year has been in relation to reduced resources, resulting in a failure to adhere to standard control procedures. There has also been a marginal decrease in the number of audits with a high level of assurance. However, it should be noted that in both cases, the variance only represents 1% of the overall audit universe.
- 8.4 There are 14 audits which are classed as fundamental audits. The fundamental audits are the systems that are considered to be so significant to the achievement of the Council's objectives that they are audited either annually or bi-annually. Following the audits completed in 2019/20, 11 of the 14 fundamental audits have a high level of assurance. Two have a substantial level of assurance (Accounts Payable and NNDR/Business Rates) and one has a moderate level of assurance (Accounts Receivable).
- 8.5 Prior to the most recent audit, the NNDR/Business Rates audit had received consistent high assurance ratings and had therefore been subject to an audit every two years. However, as a result of the findings of the most recent audit in 2019/20, a substantial level of assurance was awarded and as a result this audit will be completed on an annual basis going forward.
- 8.6 The Accounts Payable audit received a substantial assurance rating in 2019/20 as was also the case in 2018/19 and so this also continues to be audited on an annual basis.
- 8.7 The Accounts Receivable audit received a moderate assurance rating in both 2018/19 and 2019/20. The Audit Committee have received a number of updates

from the client department in relation to the work that is ongoing within the department to address the issues that have been identified. The Audit Committee will continue to receive updates on this throughout 2020/21. (Please note that due to the timing of the draft reports being issued and the onset of the COVID-19 crisis, the NNDR/Business Rates, Accounts Receivable and the Housing and Council Tax Benefits audit reports remain at draft stage at the time of writing this opinion).

- 8.8 It is disappointing to note that one of the fundamental audits received a second moderate assurance rating in 2019/20. As detailed in updates provided to the Audit Committee from the client department, the reasons for the weaknesses identified in this area are in relation to reduced resources. As noted in previous annual reports, continuity and maintenance of core grip with changing, and more often diminishing, resources was a recognised clear challenge across the Authority and this continues to be the case.
- 8.9 Despite this it should be noted that of the 14 fundamental system audits, 11 have a high assurance level and two have a substantial assurance level. In addition, the results of the work undertaken in 2019/20 shows that as at the 31/03/20, 94% of all of the audits listed in the audit universe have either a high or substantial assurance rating. This provides reasonable assurance that across the Authority the systems of internal control are operating effectively.
- 8.10 Throughout the year, a significant amount of effort has been directed at further strengthening the systems of risk management across the Authority. Audit Committee receive regular update reports from the Strategic Delivery and Performance Manager outlining the status of key risks to further strengthen assurance in this area. The Corporate Management Team and Risk Owners have also reviewed the risk register entries regularly throughout the year to ensure the register is up to date and all mitigating controls have been captured and documented. A new Risk Management System has also been introduced in the year which should ensure monitoring and control of risk is greatly improved.
- 8.11 As per the Terms of Reference, the Audit Committee must be satisfied that they have sufficient information in order to gain assurance over the risk management controls across the Council. Prior to the introduction of the new Risk Management System, the Committee highlighted concerns over the amount of information that was available to Members to allow them to discharge this responsibility. These concerns were also echoed by the Council's External Auditors. It is envisaged that the introduction of the new Risk Management System will facilitate greater scrutiny of the risk management arrangements in place by the Committee. However, it should be noted that at present, the members of the Audit Committee do not have access to the new system.
- 8.12 In addition, further developments in the year have seen a member of the Audit Committee joining the Governance Group which is tasked with overarching responsibility for ensuring existing corporate governance arrangements are effective. However, it should be noted that there have been very few meetings

of the Governance Group throughout 2019/20 and as a result there has been little focus on the Annual Governance Statement throughout the year.

- 8.13 Each of the Corporate Directors has attended Audit Committee meetings throughout the year to outline governance, risk and control arrangements in place within each directorate. These improvements have further strengthened the overall assurance provided to the Audit Committee.
- 8.14 At the time of writing this opinion, it is unclear as to the scale of additional spending, loss of income and funding arrangements for reimbursement in part, or in full, that the authority faces in responding both locally, with partners, and supporting the national strategic response to the COVID-19 pandemic. We are also aware that the Council's emergency response has necessitated some rapid changes to working practices, controls and authorisation channels for approval and decision making by Senior Officers and Councillors. However, it should be noted that the Statutory Governance Chief Officers are resolving to maintain appropriate corporate grip to ensure that sufficient recording and reporting mechanisms are maintained throughout this unprecedented crisis.
- 8.15 The impact of the pandemic was not directly financially or operationally material on the 2019/20 internal audit plan. As a result, the impact of the crisis is not yet reflected in the audit universe as the crisis commenced at the latter end of the financial year. However, it should be noted that the national lock down arrangements and the prioritisation of the response to COVID-19 may have impaired the Council's ability to fully comply with normal operating procedures at all times during March and beyond.
- 8.16 The impact of the crisis will be financially and operationally material for the whole of 2020/21. It will affect council spending, income, controls and even directly affect our ability to meaningfully deliver the audit plan, particularly during the lock down phase. Throughout this period, the audit team is refocusing its efforts to support the Council to deliver its immediate, urgent response to the crisis. It is hoped that once the current restrictions are eased, the audit team can slowly begin prioritising audit work in the subsequent expected recovery phase.
- 8.17 The Audit Committee and the Council's External Auditors have raised a number of concerns throughout the year in relation to risk management arrangements and also in relation to the lack of pace with which Directorates have been able to deliver agreed savings targets. These concerns are echoed by the Chief Auditor and the Chief Finance Officer and the programme of planned audits for 2020/21 will seek to provide the Committee with some clarity on these issues.
- 8.18 Overall, based on the work undertaken in 2019/20, I am satisfied that Internal Audit can provide reasonable assurance that the systems of risk management, internal control and governance established by the Council are operating effectively and that no significant weaknesses were identified in 2019/20 which would have a material impact on the Council's financial affairs or the achievement of its objectives.

9. The **Audit Committee**

- 9.1 At the time of writing this report the Council is facing unprecedented and challenging times as a result of the COVID-19 virus. As a result some Audit Committee meetings have been cancelled to enable valuable staff resource to be deployed to areas of greatest need. The Chair acknowledges that Council are endeavouring to maintain continuity of governance arrangements through this challenging time.
- 9.2 The Chair pays tribute to all staff and officers of the Council as well as the Council Partners' for their commitment and work being achieved to maintain services and support in such challenging circumstances.
- 9.3 On 11th June 2019 the Audit Committee considered the election of Chair for 2019-20 Municipal Year where it was resolved that Paula O'Connor be elected Chair. At the same meeting Councillor P R Hood-Williams was elected Vice-Chair for the 2019-20 Municipal Year.
- 9.4 In the 2018/19 Annual Report the Audit Committee gave an ongoing commitment to progressing the necessary action to address the Wales Audit Office recommendations. The Committee at every meeting reviewed progress against those recommendations with the aim of developing and strengthening the Committee's effectiveness in fulfilling the Committee's terms of reference.
- 9.5 The presentation on the Assurance Framework and the reporting on the Council's Risks was a significant step forward in 2018/19 in improving the Committee's ability to reflect on the effectiveness of governance, risk management and control that supports and informs the Council's Annual Governance Statement. However, the development and roll out of a new electronic risk management system was delayed during the year and the Chair and Audit Committee members have expressed concern that in the absence of a robust system that this will need to be highlighted in the Council's Annual Governance Statement at the year end.
- 9.6 We have reviewed the work programme at each Committee meeting, taking account of risk and priorities.
- 9.7 The Chair and Chief Internal Auditor attended the All Wales Audit Committee Chairs network in October 2019. The Network was established across all local Authorities in Wales, to bring together Chairs in an environment where there is opportunity to network, share ideas and problem solve with peers performing similar roles. The WGLA sponsored the event, and agenda items were delivered by WAO and CIPFA, with contributions from Heads of Internal Audit and Chairs. Within the governance item the Network received a particularly informative overview of the proposed changes to the role of the Audit Committee through the Draft Local Government and Elections (Wales) Bill. The Bill proposes to expand the remit of the Committee, through a renaming of the Committee as Governance and Audit Committee, and expanding its responsibilities into areas of performance management. The Bill also proposes changes to the composition of the Committee, with minimum proportions of lay

members (1/3 of Committee) and the requirement for a lay chairperson. The Committee will be keen to understand how its responsibilities may increase through the Bill, and to ensure it effectively responds and continues to discharge its role comprehensively. The Wales Audit Office will be asked to deliver a session of practical guidance and support to our next Chairs' Network, scheduled for July 2020. The Network will meet again in July 2020.

- 9.8 The Audit Committee terms of reference states that the Committee “oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.”
- 9.9 The Committee received the 2019/20 Internal Audit Plan and Charter on 9th April 2019 and has received reports regularly during the year from the Chief Internal Auditor. The Chair has expressed her gratitude to the Chief Auditor in responding to a request to enhance the detail in the reports to provide further understanding of the work undertaken and the risks identified. During 2019/20 the Chief Auditor reported a number of Moderate Assurance audit reports that resulted in those responsible attending Audit Committee to give assurance that appropriate action was being taken where significant weaknesses in control were identified.
- 9.10 The Wales Audit Office presented their 2019 Audit Plan to the Audit Committee on 9th April 2019, and has provided the Committee with regular updates to their work. In 2017/18 the Chair suggested that consideration be given to developing a tracker to give focus to improved completion of external audit recommendations. This work is yet to be completed but the Chair acknowledges that Scrutiny Committee has the opportunity to challenge non-implementation of recommendations as well as the Audit Committee.
- 9.11 The Chair has met during the period with the Deputy Chief Executive, S151 Officer, Monitoring Officer, Chief Internal Auditor and the Wales Audit Office. A meeting is being arranged with the Chief Executive to communicate Audit Committee concerns in a number of key risk areas that include, robustness of Directorates saving plans, workforce pressures, risk management arrangements and reporting of risk to Audit Committee, production of Annual Governance Statement and the role of the Governance Group.
- 9.12 At the meeting on 9th April 2019 the Committee received the Corporate Fraud Teams Anti-Fraud Plan for 2019/20 that was similar to the plan in 2018/19. The Corporate Fraud Team informed the Committee that the work of the Team was largely reactive due to the limited resource. The Committee endorsed the plan subject to ongoing review of the resource position by the Council's Corporate Management Team and referral to Council for approval.
- 9.13 The Head of Legal, Democratic Services & Business Intelligence (Monitoring Officer) presented the draft Annual Governance Statement 2018/19 at the meeting in August 2019. A final draft was received at a special meeting of the Audit Committee on 16th September 2019. The Annual Governance Statement was presented to full Council as part of the Statement of Accounts on 29 August 2019.

- 9.14 The Chair attended the Scrutiny Panel Conference 10th June 2019 and also Scrutiny Panel on 8th July 2019.
- 9.15 The Committee discussed the concern regarding the cost of the capital programme, the level of reserves, the risk to the Authority and the need to scrutinise the risk. Also, it was noted that a recovery plan should be developed on how the Council plans to deal with overspends and that the Audit Committee should be provided with regular budget variation reports. The Chief Finance Officer / Section 151 Officer agreed to provide this information to future meetings.
- 9.16 Looking forward to 2020/21, the unprecedented challenges that are ongoing with the COVID-19 virus will clearly have an impact on the Council's governance and finance arrangements during the early to mid-part of the year. The April 2020 meeting of the Audit Committee was cancelled and the meeting in May 2020 is due to be held remotely. However, it is clear that maintaining performance and managing the financial challenges the Council faces will continue as will the need to address the demands emerging from COVID-19. Within this context, the importance of an effective Audit Committee remains critical and the Committee is committed to enhancing its effectiveness through an ongoing training programme, delivering against the Wales Audit Office efficiency improvements and liaising with Officers to enhance the information that the Committee receives. The Committee will keep the Work Programme under regular review and will ensure that the Work Programme contains the critical challenges that the Council faces.

EXTERNAL SOURCES OF ASSURANCE

10. External Auditors

- The WAO audit work in 2018-19 included a follow-up review of the Auditor General for Wales 2015 national report 'Delivering with Less – Leisure Services'. Following a commissioning review of the Council's Cultural services, on 1 October 2018, seven Council leisure centres transferred to Freedom Leisure, a not-for-profit organisation to manage and operate these facilities for a period of 19.5 years. Their review looked at the Council's Cultural services commissioning review and decision-making arrangements in transferring these leisure centres to a not-for-profit organisation. The WAO audit concluded that: the Council has contracted out the future management of its leisure centres, but lacks a full strategic plan to evaluate the leisure service's contribution to achieving the Council's objectives.
- WAO audit work in 2018-19 also included a follow-up review of our 2014 report into the Council's arrangements to support safeguarding of children. WAO also considered the Council's progress in implementing the recommendations contained in the Auditor General's report, 'Review of Corporate Safeguarding Arrangements in Welsh Councils' (July 2015). Overall, WAO found that: The Council has addressed most of the recommendations in our previous national and local safeguarding reports but should strengthen some aspects of its

corporate safeguarding arrangements. WAO made further proposals for improvement to the Council in this regard.

- WAO were satisfied the Council has met its legal duties for improvement planning and reporting and is likely to meet the requirements of the Local Government Measure (2009) during 2019-20.
- WAO undertook the Well-being of Future Generations examination in 2018-19 that considered the extent to which the Council has acted in accordance with the sustainable development principle in developing its new approach to employability, called 'Swansea Working'. WAO concluded that the Council is acting in accordance with the sustainable development principle in developing and implementing the 'step' ('Swansea Working' is an explicit element of Council strategies to tackle poverty and prevention), but there are opportunities to further embed the five ways of working.
- **Wales Audit Office Annual Audit Summary 2019** dated March 2020 (and referred to below) noted that the Council has put in place proper arrangements to secure value for money from the resources it uses. Significant challenges remain particularly in terms of delivering timely transformation against the backdrop of a challenging financial position. This reflected external auditor concerns that the Council continues to face a significant financial challenge and needs to deliver its savings plans at the pace and scale required whilst controlling service spending within budgets. The Council is seeking to address this through a refresh of its programme for transformation to ensure that planned actions are of sufficient scale and pace.
- The Wales Audit Office on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2018/19** to Audit Committee on 13/8/19 and to Council on 29/08/19. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The Auditor General issued an unqualified audit report on the financial statements and the report concluded that the financial statements for both the City & County of Swansea and the City and County of Swansea Pension Fund, (which was presented to the Pension Fund Committee on the 12/9/19), gave a true and fair view of the financial position of the Council and had been properly prepared.

11. Statutory external inspections/regulators

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

- CIW reported on its inspection of services for children living in Swansea in October 2018. Overall, CIW found good quality practice in Swansea Council children's services, with positive outcomes being achieved for many children and young people. CIW also issued a Local Authority Performance Review and concluded that Swansea Council is a learning organisation and fully aware of its strengths and areas in need of improvements and have a proactive approach

to improvement and ensuring positive outcomes; however this is an ongoing significant challenge due to budgetary and workforce issues.

- The Estyn profile of school inspections for 2019-2020 is very positive in all sectors. Between the summer term 2019 and spring term 2020, 13 schools were inspected by Estyn in Swansea. 12 schools were judged to be good or excellent in all of the five areas that are inspected under the current framework. One school was judged adequate in the area of teaching and learning but good in all other areas. All inspection results and recommendations, as well as other intelligence, is discussed in regular meetings and appropriate support and challenge through the advisory team is identified as a result. Overall the picture for Swansea compared to other authorities is very positive and against the trend of inspection results across Wales.

CORE EVIDENCE

12. Council & Cabinet

The following provide assurance based on reports covering 2019/20. In some instances reports from 2018/19 are reflected in the Annual Governance Statement as the reports for 2019/20 are not yet available.

- Council adopted a revised Corporate Plan 2019/22 *Delivering a Successful and Sustainable Swansea* on 25 October 2018. The Corporate Plan for 2019/22 was refreshed and approved at Cabinet on 19th March 2019 and was refreshed again and approved by Cabinet on 19th March 2020. The Corporate Plan sets out the Council's values and principles underpinning the delivery of the objectives and sets out how the Council will monitor progress through quarterly and annual performance monitoring reports.
- Performance on delivery of the Council's Well-being Objectives is monitored quarterly by Cabinet. Quarterly Reports during 2019/20 contain outturn compliance with performance indicators and an overview of performance for each Objective provided by Directors/Heads of Service. The End of Year Performance Monitoring Report for 2018/19 was presented to Cabinet on 15th August 2019. End of Year 2019/20 and Quarter 1 2020/21 Performance reporting has been suspended for the time being during the COVID-19 response; reporting will resume as soon as possible in line with the Council's COVID-19 recovery plans.
- The Annual Review of Performance 2018/19 was approved by Cabinet on 17th October 2019 in accordance with the publishing requirements of the Local Government (Wales) Measure 2009. The report showed the results of each performance measure for the 6 Objectives set out in the Corporate Plan 2018/22. The results showed that overall the Council has made significant progress undertaking the steps to meet its Well-being Objectives but that there were areas for development and lessons learnt.

- The Corporate Complaints Policy is in line with the Welsh Government Model Complaints Policy and was in place throughout 2019/20. It enables the public to tell the Council what they think about services. The Corporate Complaints Annual Report 2018/19 was presented to Cabinet on 23rd January 2020. The report reflects the continued emphasis on prompt resolution of complaints and includes compliments about services. Whilst the total of complaints to the Public Service Ombudsman for Wales increased from 62 to 83 only 1 was upheld, 9 were resolved by quick fix/voluntary settlement, 1 was not upheld and the remaining referrals were either out of jurisdiction, premature or closed after initial consideration. There was an assurance that there were no s 16 Public Interest reports during the year.
- The Audit Committee Annual Report 2018/19 was presented to Council on 24th October 2019 and outlined the assurance the Committee had gained over control, risk management and governance from various sources over the course of 2018/19. In particular, the report highlighted the work that had been undertaken throughout the year in line with the Committee's terms of reference. The report also provided an update on the implementation of the actions arising from the Performance Review facilitated by the Wales Audit Office.
- The Equality Review Report 2018/19 was reported to Cabinet on 19th September 2019, which highlighted progress against the Equality Objectives. The report highlighted work linked to the core principles i.e. co-production, engagement and embedding of children's rights.
- The Welsh Language Annual Report 2018/19 reflected progress and compliance on the 169 Welsh Language Standards with which the Council has to comply. The report contained an overview of activity and how the Council internally promotes the Welsh Language Standards with tools and information. The report concluded that good progress continued to be made on implementing the Welsh language standards during 2018/19 and general feedback indicated that officers were more educated and much more aware of the need for compliance than they were previously.
- There were a number of key reports presented to Cabinet/Council during 2019/20 including reports relating to the Swansea Bay City Deal and a number of Cabinet responses to Scrutiny reports.

13. Committees

- The **Scrutiny Programme Committee (and established Scrutiny Panels and Working Groups)** met throughout 2019/20 and were supported by the Council's Scrutiny Team. The scrutiny function is delivered through the Scrutiny Programme Committee (SPC) together with a number of Scrutiny Inquiry and Performance Panels. The SPC is a group of thirteen Scrutiny Councillors and other members who are co-optees who organise and manage what Scrutiny will look at each year. All scrutiny activity within the council is managed by the committee through a single workplan. Specific work is undertaken both through

the committee and by establishing informal panels (for in-depth activities) or working groups.

- The **Scrutiny Annual Report 2018/19** was presented to Council on 24th October 2019. The report highlighted the work carried out by Scrutiny, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. It shows that the Scrutiny Programme Committee met on 14 occasions. In total, there were 95 panel and working group meetings during that municipal year with 2 Inquiries relating to the Natural Environment (completed) and Equalities (ongoing). Two Inquiry Panels reconvened to follow up actions agreed by Cabinet – CAMHS and Tackling Poverty. There was also pre decision scrutiny undertaken on a number of Cabinet reports and a high level of councillor commitment.
- There is a strong relationship with audit, inspectors and regulators. There are well-established links between the scrutiny function and Estyn, in respect of Education Services and School Improvement, and similarly with CIW (Care Inspectorate Wales), in respect of Audit Services and Child & Family Services. Respective Scrutiny Performance Panels are routinely provided with relevant reports from Estyn and CIW, and are discussed as required. All Wales Audit Office local performance audit reports and relevant national Wales Audit Office reports (those with implications for local government) are also included in the Scrutiny Work Programme (dealt with by the Committee or relevant Performance Panels) and there is co-ordination with the Audit Committee. Scrutiny considers the Council's response / action plans following WAO reports and follows up progress as necessary. Regional scrutiny continues with ERW and Swansea Bay City Region City Deal. The Swansea Scrutiny Team is providing support for the ERW joint scrutiny arrangement.
- There was a positive external assessment of our scrutiny arrangements from the Wales Audit Office Review of Scrutiny 2018, and Care Inspectorate Wales inspection of Child & Family Service and Foster Swansea. A Scrutiny Improvement Action Plan was agreed by Scrutiny Programme Committee following self-evaluation and consideration of WAO Review of Scrutiny findings.
- The **Standards Committee** met on 3 occasions during 2019/20 and the **Standards Committee Annual Report 2018/19** was presented to Council on 27th November 2019. The Committee is chaired by an independent person and is responsible for monitoring the ethical standards of the authority and maintaining the highest standards of conduct by elected councillors. The Committee commenced discussions with the Political Group Leaders as to ethical values within the council and this work has been finalised and hopefully will form part of the Annual Report for 2019/20. The Standards Committee were also instrumental in ensuring the Ombudsman's Code of Conduct Casebook was considered and circulated to all members by the Monitoring Officer. The Members Internal Dispute Resolution Process has not yet been utilised, which underpins the strong commitment to, and provides assurance, that the Council's Code of Conduct is adhered to.

- The **Audit Committee** met on 8 occasions during 2019/20 and followed a structured work-plan, which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes a lay member who is also the Chair of the Committee. The Committee receive all Wales Audit Office reports once reported to Scrutiny Programme Committee. The Committee may decide to track or prioritise specific proposals or recommendations in addition to the oversight provided by Scrutiny. This arrangement provides additional assurance that the Council responds and puts in place action plans to address any recommendations. The Committee also receives quarterly updates on the overall status of risk within the Council to give assurance that the risk management process is being followed.
- During 2015/16 a Local Pension Board was established, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council (and Pension Fund Committee) as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Terms of Reference for the Board were established and appropriate Board members were appointed. The Board convened meetings on 5 occasions during 2019/20.
- The **Pension Fund Committee** establishes and keeps under review policies to be applied by the Council in exercising its discretions as an administering Authority under the Local Government Pension Scheme (LGPS) Regulations. The Committee is Chaired by a Councillor and membership consists of six elected Members, including the Chair, and two lay members. The Committee met on 5 occasions during 2019/20 and dealt with all issues relating to the governance and administration of the Pension Fund. The Chair of the Pension Fund Committee also represents the Council on the Joint Governance Committee of the Wales Pension Partnership, a collaborative working arrangement between the 8 local government pension funds in Wales.
- The **Democratic Services Committee** reviews the adequacy of provision by the authority of staff, accommodation and other resources to discharge Democratic Services functions. The Committee is Chaired by a Councillor and, along with the Chair, membership consists of thirteen elected Members. The Committee met on 3 occasions and considered the Social Media Guide for Councillors, a review of Councillors' Broadband and Telephone and IT, the Councillors' Handbook and Personal Safety.

Significant Governance Issues

The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement **2018/19** and the action taken during the year to address the issues.

Annual Governance Statement 2019/20

| Significant Governance Issue linked to Framework | Action taken | Status |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| <p>Maintaining sufficient financial discipline (revenue service spending) to deliver Corporate Objectives and Sustainable Swansea (red risk on Corporate Register)</p> <p>The Council will continue to face unprecedented financial challenge. It is essential that approved service savings are made in a timely way with full risks and impact being understood.</p> | <ul style="list-style-type: none"> • Re-shaping Board now moved into CMT/Cabinet Away Day so that both the monitoring of savings and the transformation programme activity can be reviewed with both CMT and the Executive • Robust challenge of financial position continued by CMT / Corporate Directors resulting in positive and improving position going into Q3 • Annual review of Sustainable Swansea underway with revised programme to deliver future savings in years 3 onwards. | <ul style="list-style-type: none"> • Ongoing |
| <p>Engagement and communication</p> <p>The views of the public, service users, staff and external partners must be taken into account in decisions impacting upon them. It is essential that there are sufficient structures in place to encourage and enable public participation.</p> | <ul style="list-style-type: none"> • Co-Production Strategic Framework developed and presented to the Equalities PDC. • Integrated Impact Assessment under development. • The Access to Services team has also produced the Engagement and Consultation Strategy recently approved by CMT. The team also supports all services in ensuring EIAs are completed as part of the budget process and the SDU promotes Future Generations. Services to | <ul style="list-style-type: none"> • Complete |

Annual Governance Statement 2019/20

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| | consider the Act when Service Planning. | |
| <p>Performance Reviews</p> <p>Whilst there is a strong performance management system with regular supervision/training of staff evidenced across the authority there is evidence of inconsistency associated with the IT appraisal use.</p> | <ul style="list-style-type: none"> • New appraisal solution being developed, which will be delivered digitally through the new Oracle Cloud solution in November 2021. | <ul style="list-style-type: none"> • Ongoing |
| <p>Project Governance</p> <p>It remains the position that significant officer time will need to be dedicated to major projects with which the Council is involved. Consideration will need to be given to adequately resourcing project teams to ensure strong and transparent governance arrangements are in place.</p> | <ul style="list-style-type: none"> • Project leads identified. • Organisational capacity identified and funded. • Business Case to Cabinet and CMT. • Monitored through the Project Board and CMT. | <ul style="list-style-type: none"> • Complete |
| <p>Decision to Leave the European Union</p> <p>Any consequences of leaving the European Union will have to be planned, monitored and managed.</p> | <ul style="list-style-type: none"> • Formed a Brexit Steering Group and held meetings. • Service areas have completed assessments on preparedness for Brexit. Business Continuity Plans have been reviewed. • Potential implications on service delivery is a standing item on work team agendas, Leadership team and CMT. • Brexit is a Corporate Risk that is reviewed monthly at CMT. | <ul style="list-style-type: none"> • Complete |
| <p>Partnership/Collaboration/Regional Working Governance</p> | <ul style="list-style-type: none"> • Produced and reported to Council on 25/07/19 the Annual Report 2018/29 | <ul style="list-style-type: none"> • Complete |

Annual Governance Statement 2019/20

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>As there is increased drive for partnership/regional working the council will need to focus on ensuring the appropriate governance arrangements and benefit to Swansea residents.</p> | <p>on Regional Working outlining Governance arrangements, including scrutiny; priorities and progress; challenges and areas for further development; future plans and opportunities.</p> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

The following table identifies issues which have been identified during the review of effectiveness, and also highlights any other significant governance issues that need to be considered, together with the proposed actions to be taken during **2020/21** to address the issues. **At the time of writing the COVID-19 crisis occurred and so the timescales and actions will be impacted depending on the severity and longevity of the crisis.**

| Significant Governance Issue linked to Framework | Action to be taken |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Budget pressures (including external and demand-led pressures and overspends) & problems living within budgets. | <ul style="list-style-type: none"> • Continue robust monitoring of budgets, savings and transformation programme activity at PFM and with both CMT and the Executive. • Annual review of Sustainable Swansea underway with revised programme to deliver future savings in years 3 onwards. |
| Lack of workforce capacity, capability and resilience and relying on staff goodwill. | <ul style="list-style-type: none"> • Development of a Workforce Plan to support high performance and enable a skilled, flexible and engaged workforce. |
| Performance Reviews, i.e. appraisals system / induction training not fit for purpose. | <ul style="list-style-type: none"> • Continue to develop a new appraisal solution to be delivered digitally through the new Oracle Cloud solution in November 2021. • Address Induction training of new staff as part of the review of the induction process and future policy reviews. |
| Embed the Future Generation Act principles into the Council's processes and decision making. | <ul style="list-style-type: none"> • Further development of integrated impact assessments to be undertaken to ensure that legal and regulatory compliance are embedded into the decision making process. |

Annual Governance Statement 2019/20

| | |
|--------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> • Provision of training/information on the requirements of the Future Generations Act. |
| Patchy Partnership Governance, including application of risk management. | <ul style="list-style-type: none"> • Continue to address the challenges and areas for further development as set out within the Annual Report on Regional Working. |
| ICT Disaster recovery. | <ul style="list-style-type: none"> • Resolve through the move to cloud services, particularly Oracle Cloud in November 2021. |
| Use and governance of social media accounts | <ul style="list-style-type: none"> • Complete the review underway of the use of social media and social media access. |
| Continue to improve risk management arrangements | <ul style="list-style-type: none"> • Services and risk owners to continue to improve their compliance to the Council's Risk Management Policy and Framework, including monthly risk reviews and improving the quality of risk controls. • Develop the Council's new risk register application to produce reports to help oversee the status of risk. |

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

Signed Chief Executive

Date

Signed..... Leader

Date

Glossary of Terms

We appreciate that the Statement of Accounts as presented contains a number of technical terms which may be unfamiliar to the lay reader. Wherever possible we have sought to minimise the use of technical terms but in some instances this has not been possible. The following section attempts to explain the meaning of some of those technical terms that are used in the Statements.

Accrual

Sums due to the Authority or payable to external organisations in the financial year irrespective of whether the cash has been received or paid.

Actuary

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

Agency Services

Agency services are services provided for us by an outside organisation.

Amortised Cost

Amortised costs are used to spread the financial impact of depreciation or using an equivalent interest rate or the effect of a premium or discount over a number of years on the income and expenditure account.

Associate

An associate is an entity other than a subsidiary or joint venture in which the reporting authority has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

Audit

An audit is an independent examination of our activities.

Balance Sheet

This is a statement of our assets and liabilities at the date of the balance sheet.

Budget

A budget is a spending plan, usually for the following financial year.

Capital Adjustment Account

This Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed by depreciation, impairment and disposals, and the amount that has been set aside to finance capital expenditure.

Capital Expenditure

Capital expenditure is spending on fixed assets. These are assets which will be used for several years to provide services such as buildings, equipment and vehicles.

Glossary of Terms

Capital Receipts

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

Cash Equivalents

Cash Equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flow Statement

This is a statement that summarises the movement in cash during the year.

Consolidated Balance Sheet

This balance sheet combines the assets, liabilities and other balances of all our departments, at our year end date.

Corporate and Democratic Costs

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Credit Risk

This is the risk of loss due to a debtors inability to make interest or principal repayments on a loan/investment.

Creditor

A creditor is someone we owed money to at the date of the balance sheet for work done, goods received or services rendered.

Current Assets

These are short-term assets which are available for us to use in the following accounting year.

Current Liabilities

These are short-term liabilities which are due for payment by us in the following accounting year.

Debtor

A debtor is someone who owed money to us at the date of the balance sheet.

Depreciation

Depreciation is the theoretical loss in value of assets, which we record, in our annual accounts.

Glossary of Terms

Direct Labour Organisation or Direct Service Organisation (DLO or DSO)

This is our own organisation. It consists of workers we directly employ (including supervisory staff), accommodation, equipment and so on, used to carry out specified tasks for us.

Earmarked Reserves

These are reserves we have set aside for a specific purpose.

Financial Year

This is the accounting period. For local authorities it starts on 1st April and finishes on 31st March in the following year.

Finance Leases

When we use finance leases, we take on most of the risks (and rewards) of owning the assets.

Fixed Asset

These are long-term assets we use (usually for more than one year).

Gilt Edged Stocks

These are investments in government or local authority stocks. They are regarded as risk-free.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

Housing Revenue Account

This account contains all our housing income and spending.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Joint Venture

A joint venture is an entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement.

Leasing

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

Glossary of Terms

Liability

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

Liquidity Risk

This is the risk that investments cannot be readily turned into cash or realised because there is no ready market for the instrument or there are restrictive clauses in the agreement.

Minimum Revenue Provision (MRP)

This is the amount we have to set aside to repay loans.

National Non-Domestic Rates (NNDR)

The NNDR, or Business Rate, is the charge occupiers of business premises pay to finance part of local authority spending. The NNDR is set by Government and is a percentage of the rateable values. The percentage is the same throughout Wales. The total collected is split between individual authorities in proportion to their adult populations.

Net Realisable Value

The selling price of the asset, reduced by the relevant cost of selling it.

Non Distributable Costs

These are costs that relate to past activity costs, such as the cost of redundant assets or information technology, or past service pension that cannot be allocated to services.

Operating leases

These are leases where risks (and rewards) of ownership of the asset remain with the owner.

Precepts

This is the amount we pay to a non-billing authority (for example a community council) so that it can cover its expenses (after allowing for its income).

Provision

A provision is an amount we set aside in our accounts for expected liabilities which we cannot measure accurately.

Public Works Loan Board (PWLB)

This is a Government agency which provides longer-term loans to local authorities. It charges interest rates only slightly higher than those at which Government itself can borrow.

Related party transactions

These are the transfer of assets or liabilities or the performance of services by, to or for a related party no matter whether a charge is made.

Glossary of Terms

Reserves

These are sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

Revaluation Reserve

This reserve represents the difference between the revalued amount of fixed assets in the Balance Sheet and their depreciated historical cost.

Revenue

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

Revenue account

This is an account which records our day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

Scheduled organisation

An organisation whose employees have an automatic right to be members of a pension fund.

Service recipient

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

Securities

These are investments such as stocks, share and bonds.

Stocks

Stocks are raw materials we purchased for day to day use. The value of those items we had not used at the date of the balance sheet is shown in current assets in the balance sheet.

Subsidiary

An entity is a subsidiary of the reporting authority if:

- the authority is able to exercise control over the operating and financial policies of the entity, and
- the authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

Temporary Borrowing or Investment

This is money we borrowed or invested for an initial period of less than one year.

Transfer value

This is the value of payments made between funds when contributors leave service with one employer and decide to take the value of their pension contributions to their new employer's fund.

Glossary of Terms

Trust Funds

Trust funds hold an individual's or organisation's money on their behalf. Trustees administer the money for the owners.

Unit Trusts

These are investment companies which accept money from many different investors. The money is pooled and used to buy investments.

Venture Capital Units

These are investments we have made in businesses where there is a higher risk but where rewards are also likely to be higher, if the businesses are successful.

Work in Progress

Work in progress is the value of work done on an unfinished project at the date of the balance sheet and which has not yet been recharged to the appropriate revenue account.