

**Council - Thursday, 28 September 2017**

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

**Time: 5.00 pm**

**Page No.**

**11. Statement of Accounts 2016/17 (Appendix A).**

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# Statement of Accounts 2016/17



City and County of Swansea | Dinas a Sir Abertawe

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# INTRODUCTION



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

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

Approximately 242,400 people live within the boundaries of the Authority of which:

- 41,700 are aged under 16
- 53,900 are of pensionable age
- 21,700 are aged 75 years and over



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

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

Copies of these accounts can be obtained from:

Head of Financial Services  
City and County of Swansea  
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 2017.
- \* The Cash Flow Statement, which shows transactions for the year on a cash basis rather than on an accruals basis.
- \* The notes to the accounts, incorporating the main accounting policies which show the basis on which we have prepared the accounts and the accounting principles the Authority has adopted. The notes also offer further analysis of items appearing in the main financial statements.
- \* The Housing Revenue Account (HRA) Income and Expenditure Statement, which shows income from, and spending on, Council housing for the year. This account is stated separately as required by statute although the overall results are incorporated into the Authority's Comprehensive Income and Expenditure Statement.
- \* The Group Accounts, which show the consolidated accounts of the Authority and its group companies.
- \* The Pension Fund accounts, which show all contributions received and benefits paid for the year together with a snapshot of the financial position of the fund at the year end.
- \* The Certificate and Statement of Responsibilities of the Head of Financial Services who is the responsible officer for the production of the statement.
- \* The Annual Governance Statement, which gives an indication of the arrangements for and effectiveness of internal control procedures within the Authority.
- \* The auditor's opinion and certificate relating to the Statement of Accounts.

## ***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 2016/2017

|   | £'m   | %   |
|---|-------|-----|
| Revenue support grant                                   | 234.5 | 31  |
| Non domestic rates                                      | 73.2  | 9   |
| Council tax (including Reduction Scheme)                | 105.2 | 14  |
| Other income (rents, fees and charges, specific grants) | 354.5 | 46  |
|   | 767.4 | 100 |

**←**

**Where our money comes from**

**What we spend it on**

**→**

|                   | £'m   | %   |
|-------------------|-------|-----|
| Employees         | 333.9 | 43  |
| Capital charges   | 52.8  | 7   |
| Running costs     | 355.9 | 46  |
| Precepts/Levies   | 31.5  | 4   |
| Reserve transfers | -6.7  | 0   |
|                   | 767.4 | 100 |

|                               | £'m   | %   |
|-------------------------------|-------|-----|
| Corporate Services            | 130.2 | 17  |
| People - Poverty & Prevention | 18.5  | 2   |
| People - Social Services      | 153.4 | 20  |
| People - Education            | 223.2 | 29  |
| Place                         | 179.7 | 23  |
| Housing Revenue Account (HRA) | 32.7  | 4   |
| Reserve transfers             | -6.7  | 0   |
| Other                         | 36.4  | 5   |
|                               | 767.4 | 100 |

**←**

**And the services it provides**

# **NARRATIVE REPORT**

## **Authority services**

The revenue outturn position of the Authority for 2016/17 resulted in a decrease in expenditure on services of £0.563m compared to adjusted budget. In addition, the revenue outturn position reflects a further £7.57m of one off expenditure on an invest to save basis, that was met from the Authority's contingency and restructuring funds primarily to fund early retirement and voluntary redundancy costs as the Authority seeks to reduce its operating costs and adjust to reducing grant levels.

The net overall underspend on Services reflects forecast and known pressures within both Social Services and Education budgets which have been reflected in 2017/18 budget proposals.

## **Other budget variations**

Other budget savings during the year arose from reductions in capital repayments and interest charges (£2.726m) and increased income from Council Tax (£0.695m).

## **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 2016/17 there was a net decrease in HRA reserves at year end of £5.412m (2015/16 net decrease £1.902m).

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

Details of the annual Revenue, Capital and HRA outturn reports can be found on the agenda of the Council's Cabinet for the meeting on 20th July 2017.



# NARRATIVE REPORT

## Capital spending in 2016/2017

|                             | £'000   |
|-----------------------------|---------|
| External borrowing          | 31,123  |
| Government grants           | 29,283  |
| Other grants/contributions  | 3,659   |
| Capital receipts            | 6,180   |
| Revenue and reserves        | 32,380  |
| Financing of previous years | -889    |
|                             | 101,736 |

*Where our money comes*

*What services we spend it on*

|                    | £'000   |
|--------------------|---------|
| Corporate Services | 801     |
| Place Services     | 14,230  |
| People Services    | 86,705  |
|                    | 101,736 |

*Some of the assets it provided*

| People Services                                     | £'000  | Place Services                      | £'000 |
|---|--------|-------------------------------------|-------|
| <b>Education</b>                                    |        |                                     |       |
| Pentrehafod Comp remodelling                        | 3,705  | Housing Disabled Facilities Grants  | 4,141 |
| YGG Gwyr school remodelling                         | 766    | Sandfields Renewal Area             | 2,119 |
| Lonlas new school build                             | 6,202  | Housing other grants/loans          | 1,279 |
| Pentre'r Graig remodelling                          | 1,429  |                                     |       |
| School capital maintenance                          | 4,035  | <b>Highways and Transportation</b>  |       |
|   |        | Carriageways & Footways             | 3274  |
| <b>Social Services</b>                              |        | Morfa Road                          | 1,773 |
| Mayhill Family/Medical Centre                       | 575    | <b>Economic Development</b>         |       |
|   |        | Vibrant & Viable Places             | 9,304 |
| <b>Housing</b>                                      |        | City Centre Redevelopment           | 1,807 |
| HRA Trusteel & WNF Properties                       | 1,517  | <b>Other Services</b>               |       |
| HRA refurbishment (includes kitchens and bathrooms) | 19,981 | Glyn Vivian refurbishment           | 923   |
| HRA Adaptation works                                | 3,053  | Other Buildings Capital Maintenance | 1,369 |
| HRA Energy Efficiency                               | 2,893  |                                     |       |
| HRA Wind & Weatherproofing (includes Hi-rise flats) | 19,465 |                                     |       |
| HRA Security works                                  | 925    |                                     |       |
| HRA landscaping and enhancement                     | 2,290  |                                     |       |
| HRA new build                                       | 1,297  |                                     |       |

## **NARRATIVE REPORT**

The Authority maintains a number of provisions and reserves. Provisions are disclosed in Note 23 on pages 101 and 102. The information regarding reserves are disclosed in the Movement in Reserves Statement on pages 20 to 23 and Note 10 on page 65.

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 2017.

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 £77.922m (2015/16 £83.614m).

### **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 2017 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 2016/17 relates to the valuation undertaken on 31st March 2013.

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

# **NARRATIVE REPORT**

## **Group Accounts**

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

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

The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. The code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

Following the Telling the Story review of the presentation of Local Authority financial statements, the 2016/17 CIPFA Code has changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement and introduced the Expenditure and Funding Analysis.

The Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis includes a segmental analysis that requires Local Authorities to report performance on the basis of how they are structured and how they operate, monitor and manage financial performance.

This requirement means that service segments are no longer based on total cost and the service expenditure analysis is no longer based on the Service Reporting Code of Practice (SeRCOP). Therefore there is no longer a requirement to apportion support service overheads to services. The service expenditure analysis is now based on how the Authority reports internally on budgets, budget monitoring and revenue outturn.

The 2015/16 comparative figures in the Comprehensive Income and Expenditure Statement and the Trading Operations disclosure note have been amended to reflect these changes.

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, 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 is presented more fully in the Comprehensive Income and Expenditure Statement.

# **NARRATIVE REPORT**

The Expenditure and Funding Analysis has been positioned before the main statements.

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

On 23rd February 2017 the Authority approved a medium term financial plan which highlighted potential revenue shortfalls rising from £21.8m in 2018/19 to £61.2m in 2020/21.

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

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

Whilst the precise details of funding available for 2018/19 and beyond have not been announced current indications are that an overall reduction in real terms support of circa 10-15% is quite feasible. The Authority is already undertaking initial work to plan for such reductions.

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

Local Government reorganisation proposals from the Welsh Government set out in their White Paper (Reforming Local Government: Resilient and Renewed) means that Local Government landscape will continue to evolve and change. Whilst compulsory reorganisation is not now a feature, options remain varied and there is increasing certainty of a degree of mandatory regional working on a range of services. Following recent Local Government elections it is anticipated that the final proposals from Welsh Government will be issued shortly.

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 significance for the Authority as a whole.

## ***NARRATIVE REPORT***

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 recently signed £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.

Furthermore there may be impact as a result of ongoing consideration by UK Government around the proposed Swansea Bay Tidal Lagoon project. Predominantly this is a UK infrastructure project decision for UK Government and the private sector and does not manifestly directly involve the Local Authority in the same way as the city region deal but nonetheless it offers a scale and significance to the local area and economy whose potential impact ought to be initially recognised.

### **Further information**

You can get more information about the accounts from the Head of Financial Services, City and County of Swansea, Guildhall, Swansea, SA1 4PE.

## 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 Authority's Directorates. Income and expenditure accounted for under generally accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

|  | 2015/16   |  | 2016/17   |  |   |                |
|--|---|--|---|--|---|----------------|
|  | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | Net Expenditure between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |                |
|  | £'000   | £'000  | £'000   | £'000  | £'000   |                |
|  | 51,081  | -13,068  | 38,013  | 49,706   | -12,835   | 36,871         |
|  | 4,737   | 570  | 5,307   | 5,457  | 1,279   | 6,736          |
|  | 103,517   | 3,766  | 107,283   | 105,534  | 2,769   | 108,303        |
|  | 160,207   | 37,145   | 197,352   | 163,719  | 14,058  | 177,777        |
|  | 52,394  | 39,593   | 91,987  | 48,691   | 31,680  | 80,371         |
|  | 43,544  | 3,921  | 47,465  | -32,247  | 6,220   | -26,027        |
|  | <b>415,480</b>  | <b>71,927</b>  | <b>487,407</b>  | <b>340,860</b>   | <b>43,171</b>   | <b>384,031</b> |
|  |   |  | <b>Net Cost of Services</b>   |  |   |                |

## EXPENDITURE AND FUNDING ANALYSIS

|   |                | 2015/16  |   | 2016/17   |               |
|---|----------------|--|---|---|---------------|
| Net Expenditure Chargeable to the General Fund and HRA Balances | £'000          | Adjustments between the Funding and Accounting Basis | £'000   | Net Expenditure in the Comprehensive Income and Expenditure Statement | £'000         |
|   | -415,147       | 29,924   | -385,223  | -34,926   | -370,094      |
|   | <b>333</b>     | <b>101,851</b>                                       | <b>102,184</b>  | <b>8,245</b>  | <b>13,937</b> |
|   |                |  | Other Income and Expenditure  |   |               |
|   |                |  | <b>(Surplus) or Deficit</b>   |   |               |
|   | -83,947        |  |   | -83,614   |               |
|   |                |  | Opening General Fund and HRA Balance                                  |   |               |
|   |                |  | Less/Plus Surplus or Deficit on General Fund and HRA                  |   |               |
|   | 333            |  | Balances in Year Closing General Fund and HRA Balance at 31st March * | 5,692   |               |
|   | <b>-83,614</b> |  |   | <b>-77,922</b>  |               |

\* 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

| Restated 2015/16  |                 |                 |   | 2016/17           |                 |                 |
|-------------------|-----------------|-----------------|---|-------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income    | Net Expenditure |   | Gross Expenditure | Gross Income    | Net Expenditure |
| £'000             | £'000           | £'000           |   | £'000             | £'000           | £'000           |
| 135,172           | -97,159         | 38,013          | Corporate Services  | 130,151           | -93,280         | 36,871          |
| 16,586            | -11,279         | 5,307           | People - Poverty & Prevention                             | 18,548            | -11,812         | 6,736           |
| 150,785           | -43,502         | 107,283         | People - Social Services                                  | 153,382           | -45,079         | 108,303         |
| 240,731           | -43,379         | 197,352         | People - Education  | 223,184           | -45,407         | 177,777         |
| 187,356           | -95,369         | 91,987          | Place   | 179,745           | -99,374         | 80,371          |
| 103,783           | -56,318         | 47,465          | Housing Revenue Account (HRA)                             | 32,699            | -58,726         | -26,027         |
| <b>834,413</b>    | <b>-347,006</b> | <b>487,407</b>  | <b>Cost of Services</b>                                   | <b>737,709</b>    | <b>-353,678</b> | <b>384,031</b>  |
| 27,348            | 0               | 27,348          | Other operating expenditure (Note 11)                     | 31,061            | 0               | 31,061          |
| 72,400            | -41,944         | 30,456          | Financing and investment income and expenditure (Note 12) | 71,943            | -35,999         | 35,944          |
| 0                 | -443,027        | -443,027        | Taxation and non-specific grant income (Note 13)          | 0                 | -437,099        | -437,099        |
|                   |                 | <b>102,184</b>  | <b>(Surplus) or Deficit on Provision of Services</b>      |                   |                 | <b>13,937</b>   |



## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

| Restated 2015/16     |                 |                    | 2016/17              |                 |                    |
|----------------------|-----------------|--------------------|----------------------|-----------------|--------------------|
| Gross<br>Expenditure | Gross<br>Income | Net<br>Expenditure | Gross<br>Expenditure | Gross<br>Income | Net<br>Expenditure |
| £'000                | £'000           | £'000              | £'000                | £'000           | £'000              |
|                      |                 | -177,807           |                      |                 | 4,694              |
|                      |                 |                    |                      |                 |                    |
|                      |                 | -18,670            |                      |                 | 89,390             |
|                      |                 |                    |                      |                 |                    |
|                      |                 | <u>-196,477</u>    |                      |                 | <u>94,084</u>      |
|                      |                 |                    |                      |                 |                    |
|                      |                 | <u>-94,293</u>     |                      |                 | <u>108,021</u>     |
|                      |                 |                    |                      |                 |                    |

The 2016/17 CIPFA Code has introduced the requirement for Local Authorities to report their service segments based on the way the Authority operates and manages services. This requirement means that service segments are no longer based on total cost and service expenditure analysis is no longer based on the Service Reporting Code of Practice (SeRCOP). Therefore there is no longer a requirement to apportion support service overheads to services. The service expenditure analysis is now based on how the Authority reports internally on budgets, budget monitoring and revenue outturn. The 2015/16 figures have been restated to remove the reallocation of support service overheads.

## GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

| Restated 2015/16  |                 |                 |   | 2016/17           |                 |                 |
|-------------------|-----------------|-----------------|---|-------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income    | Net Expenditure |   | Gross Expenditure | Gross Income    | Net Expenditure |
| £'000             | £'000           | £'000           |   | £'000             | £'000           | £'000           |
| 135,172           | -97,159         | 38,013          | Corporate Services  | 130,151           | -93,280         | 36,871          |
| 16,586            | -11,279         | 5,307           | People - Poverty & Prevention   | 18,548            | -11,812         | 6,736           |
| 150,785           | -43,502         | 107,283         | People - Social Services  | 153,382           | -45,079         | 108,303         |
| 240,731           | -43,379         | 197,352         | People - Education  | 223,184           | -45,407         | 177,777         |
| 187,356           | -95,369         | 91,987          | Place   | 179,750           | -99,399         | 80,351          |
| 103,783           | -56,318         | 47,465          | Housing Revenue Account (HRA)   | 32,699            | -58,726         | -26,027         |
| <b>834,413</b>    | <b>-347,006</b> | <b>487,407</b>  | <b>Cost of Services</b>   | <b>737,714</b>    | <b>-353,703</b> | <b>384,011</b>  |
| 27,348            | 0               | 27,348          | Other operating expenditure   | 31,061            | 0               | 31,061          |
| 72,400            | -41,944         | 30,456          | Financing and investment income and expenditure   | 71,943            | -35,999         | 35,944          |
| 0                 | -443,027        | -443,027        | Taxation and non-specific grant income  | 0                 | -437,099        | -437,099        |
|                   |                 | <b>102,184</b>  | <b>(Surplus) or Deficit on Provision of Services</b>  |                   |                 | <b>13,917</b>   |
|                   |                 | -6              | Share of the surplus or deficit on the provision of services by associates and joint ventures |                   |                 | -2,665          |
|                   |                 | <b>102,178</b>  | <b>Group (Surplus)/ Deficit</b>   |                   |                 | <b>11,252</b>   |

## **GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017**

| Restated 2015/16              |                          |   | 2016/17                       |                          |                             |
|-------------------------------|--------------------------|---|-------------------------------|--------------------------|-----------------------------|
| Gross<br>Expenditure<br>£'000 | Gross<br>Income<br>£'000 | Net<br>Expenditure<br>£'000   | Gross<br>Expenditure<br>£'000 | Gross<br>Income<br>£'000 | Net<br>Expenditure<br>£'000 |
|                               |                          | -177,807  |                               |                          | 4,694                       |
|                               |                          | (Surplus) or deficit<br>on revaluation of<br>Property, Plant<br>and Equipment<br>assets |                               |                          |                             |
|                               |                          | -18,670   |                               |                          | 89,390                      |
|                               |                          | Actuarial losses /<br>gains on pension<br>assets / liabilities                          |                               |                          |                             |
|                               |                          | <b>-196,477</b>   |                               |                          | <b>94,084</b>               |
|                               |                          | <b>Other</b>  |                               |                          |                             |
|                               |                          | <b>Comprehensive<br/>Income and<br/>Expenditure</b>                                     |                               |                          |                             |
|                               |                          | <b>-94,299</b>  |                               |                          | <b>105,336</b>              |
|                               |                          | <b>Total</b>  |                               |                          |                             |
|                               |                          | <b>Comprehensive<br/>Income and<br/>Expenditure</b>                                     |                               |                          |                             |

## ***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 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

| 2015/16   | £'000          | £'000         | £'000          | £'000         | £'000         | £'000           | £'000          | £'000          | £'000 |
|---|----------------|---------------|----------------|---------------|---------------|-----------------|----------------|----------------|-------|
| <b>Balance at 31 March 2015</b>   | <b>12,360</b>  | <b>54,452</b> | <b>17,135</b>  | <b>12,935</b> | <b>20,965</b> | <b>117,847</b>  | <b>280,368</b> | <b>398,215</b> |       |
| <b>Movement in reserves during 2015/16</b>                                      |                |               |                |               |               |                 |                |                |       |
| (Deficit) on the provision of services  | -56,276        | 0             | -45,908        | 0             | 0             | -102,184        | 0              | -102,184       |       |
| Other Comprehensive Income and Expenditure                                      | 0              | 0             | 0              | 0             | 0             | 0               | 196,477        | 196,477        |       |
| <b>Total Comprehensive Income and Expenditure</b>                               | <b>-56,276</b> | <b>0</b>      | <b>-45,908</b> | <b>0</b>      | <b>0</b>      | <b>-102,184</b> | <b>196,477</b> | <b>94,293</b>  |       |
| Adjustments between accounting basis & funding basis under regulations (Note 8) | 57,845         | 0             | 44,006         | -5,037        | -2,215        | 94,599          | -94,599        | 0              |       |
| <b>Net Decrease/Increase before</b>   | <b>1,569</b>   | <b>0</b>      | <b>-1,902</b>  | <b>-5,037</b> | <b>-2,215</b> | <b>-7,585</b>   | <b>101,878</b> | <b>94,293</b>  |       |
| <b>Transfers to Earmarked Reserves</b>  | <b>-1,569</b>  | <b>1,569</b>  | <b>0</b>       | <b>0</b>      | <b>0</b>      | <b>0</b>        | <b>0</b>       | <b>0</b>       |       |
| Transfers from/to Earmarked Reserves (Note 10)                                  | 0              | 1,569         | -1,902         | -5,037        | -2,215        | -7,585          | 101,878        | 94,293         |       |
| <b>Increase/Decrease in 2015/16</b>   | <b>0</b>       | <b>1,569</b>  | <b>-1,902</b>  | <b>-5,037</b> | <b>-2,215</b> | <b>-7,585</b>   | <b>101,878</b> | <b>94,293</b>  |       |
| <b>Balance at 31 March 2016 carried forward</b>                                 | <b>12,360</b>  | <b>56,021</b> | <b>15,233</b>  | <b>7,898</b>  | <b>18,750</b> | <b>110,262</b>  | <b>382,246</b> | <b>492,508</b> |       |

## MOVEMENT IN RESERVES STATEMENT

| 2016/17  | £'000          | £'000         | £'000          | £'000         | £'000         | £'000          | £'000          | £'000           | £'000 |
|--|----------------|---------------|----------------|---------------|---------------|----------------|----------------|-----------------|-------|
| <b>Balance at 31 March 2016 brought forward</b>  | <b>12,360</b>  | <b>56,021</b> | <b>15,233</b>  | <b>7,898</b>  | <b>18,750</b> | <b>110,262</b> | <b>382,246</b> | <b>492,508</b>  |       |
| <b>Movement in reserves during 2016/17</b>   |                |               |                |               |               |                |                |                 |       |
| Surplus or (deficit) on the provision of services  | -41,199        | 0             | 27,262         | 0             | 0             | -13,937        | 0              | -13,937         |       |
| Other Comprehensive Income and Expenditure   | 0              | 0             | 0              | 0             | 0             | 0              | -94,084        | -94,084         |       |
| <b>Total Comprehensive Income and Expenditure</b>  | <b>-41,199</b> | <b>0</b>      | <b>27,262</b>  | <b>0</b>      | <b>0</b>      | <b>-13,937</b> | <b>-94,084</b> | <b>-108,021</b> |       |
| <b>Adjustments between accounting basis &amp; funding basis under regulations (Note 8)</b> |                |               |                |               |               |                |                |                 |       |
| <b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>                        | <b>40,919</b>  | <b>0</b>      | <b>-32,674</b> | <b>-1,806</b> | <b>-3,823</b> | <b>2,616</b>   | <b>-2,616</b>  | <b>0</b>        |       |
| Transfers from/to Earmarked Reserves (Note 10)   | -280           | 0             | -5,412         | -1,806        | -3,823        | -11,321        | -96,700        | -108,021        |       |
| <b>Decrease/Increase in Year</b>   | <b>280</b>     | <b>-280</b>   | <b>0</b>       | <b>0</b>      | <b>0</b>      | <b>0</b>       | <b>-96,700</b> | <b>-108,021</b> |       |
| <b>Balance at 31 March 2017 carried forward</b>  | <b>12,360</b>  | <b>55,741</b> | <b>9,821</b>   | <b>6,092</b>  | <b>14,927</b> | <b>98,941</b>  | <b>285,546</b> | <b>384,487</b>  |       |

## GROUP MOVEMENT IN RESERVES STATEMENT

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

## GROUP MOVEMENT IN RESERVES STATEMENT

| 2016/17  | £'000          | £'000         | £'000         | £'000         | £'000         | £'000          | £'000          | £'000           | £'000         | £'000           | £'000           |
|--|----------------|---------------|---------------|---------------|---------------|----------------|----------------|-----------------|---------------|-----------------|-----------------|
| <b>Balance at 31 March 2016 brought forward</b>                        | 12,360         | 56,021        | 15,233        | 7,898         | 18,750        | 110,262        | 382,246        | 492,508         | 9,523         | 502,031         | 502,031         |
| <b>Movement in reserves during 2016/17</b>                             |                |               |               |               |               |                |                |                 |               |                 |                 |
| Surplus or (deficit) on the provision of services                      | -41,199        | 0             | 27,262        | 0             | 0             | -13,937        | 0              | -13,937         | 2,685         | -11,252         | -11,252         |
| Other Comprehensive Income and Expenditure                             | 0              | 0             | 0             | 0             | 0             | 0              | -94,084        | -94,084         | 0             | -94,084         | -94,084         |
| <b>Total Comprehensive Income and Expenditure</b>                      | <b>-41,199</b> | <b>0</b>      | <b>27,262</b> | <b>0</b>      | <b>0</b>      | <b>-13,937</b> | <b>-94,084</b> | <b>-108,021</b> | <b>2,685</b>  | <b>-105,336</b> | <b>-105,336</b> |
| Adjustments between group accounts & authority accounts                | 0              | 0             | 0             | 0             | 0             | 0              | 0              | 0               | -9            | -9              | -9              |
| Adjustments between accounting basis & funding basis under regulations | 40,919         | 0             | -32,674       | -1,806        | -3,823        | 2,616          | -2,616         | 0               | 0             | 0               | 0               |
| <b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>    | <b>-280</b>    | <b>0</b>      | <b>-5,412</b> | <b>-1,806</b> | <b>-3,823</b> | <b>-11,321</b> | <b>-96,700</b> | <b>-108,021</b> | <b>2,676</b>  | <b>-105,345</b> | <b>-105,345</b> |
| Transfers from/to Earmarked Reserves                                   | 280            | -280          | 0             | 0             | 0             | 0              | 0              | 0               | 0             | 0               | 0               |
| <b>Decrease/Increase in Year</b>                                       | <b>0</b>       | <b>-280</b>   | <b>-5,412</b> | <b>-1,806</b> | <b>-3,823</b> | <b>-11,321</b> | <b>-96,700</b> | <b>-108,021</b> | <b>2,676</b>  | <b>-105,345</b> | <b>-105,345</b> |
| <b>Balance at 31 March 2017 carried forward</b>                        | <b>12,360</b>  | <b>55,741</b> | <b>9,821</b>  | <b>6,092</b>  | <b>14,927</b> | <b>98,941</b>  | <b>285,546</b> | <b>384,487</b>  | <b>12,199</b> | <b>396,686</b>  | <b>396,686</b>  |



## BALANCE SHEET

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

| <b>31 March<br/>2016<br/>£'000</b>             | <b>Notes</b> | <b>31 March<br/>2017<br/>£'000</b> |
|--|--------------|------------------------------------|
| <b>Property, Plant &amp; Equipment</b>         | 14           |                                    |
| 387,882 Council Dwellings                      |              | 383,315                            |
| 598,172 Other Land and Buildings               |              | 615,659                            |
| 9,438 Vehicles, Plant, Furniture and Equipment |              | 7,122                              |
| 241,564 Infrastructure Assets                  |              | 241,611                            |
| 10,547 Community Assets                        |              | 10,159                             |
| 53,910 Surplus Assets                          |              | 88,936                             |
| 17,676 Assets under Construction               |              | 30,919                             |
| <b>1,319,189</b>                               |              | <b>1,377,721</b>                   |
| 27,981 Heritage Assets                         | 15           | 29,794                             |
| 75,253 Investment Properties                   | 16           | 40,375                             |
| 500 Intangible Assets                          | 17           | 400                                |
| 74 Long Term Investments                       | 18           | 74                                 |
| 2,320 Long Term Debtors                        | 18           | 2,615                              |
| <b>1,425,317 Long Term Assets</b>              |              | <b>1,450,979</b>                   |
| 31,811 Short Term Investments                  | 18           | 52,548                             |
| 3,422 Assets Held for Sale                     | 21           | 2,979                              |
| 1,992 Inventories                              |              | 2,129                              |
| 54,165 Short Term Debtors                      | 19           | 46,446                             |
| 37,053 Cash and Cash Equivalents               | 20           | 30,138                             |
| <b>128,443 Current Assets</b>                  |              | <b>134,240</b>                     |
| -6,714 Short Term Borrowing                    | 18           | -37,831                            |
| -56,018 Short Term Creditors                   | 22           | -52,108                            |
| -6,195 Provisions                              | 23           | -3,222                             |
| -3,000 Grants Receipt in Advance - Capital     | 32           | 0                                  |
| <b>-71,927 Current Liabilities</b>             |              | <b>-93,161</b>                     |

## BALANCE SHEET

| 31 March<br>2016<br>£'000                      | Notes | 31 March<br>2017<br>£'000 |
|--|-------|---------------------------|
| -2,848 Long Term Creditors                     | 18    | -2,359                    |
| -12,773 Provisions                             | 23    | -10,839                   |
| -404,064 Long Term Borrowing                   | 18    | -415,281                  |
| -569,640 Other Long Term Liabilities           | 40    | -679,092                  |
| <b>-989,325 Long Term Liabilities</b>          |       | <b>-1,107,571</b>         |
| <b>492,508 Net Assets</b>                      |       | <b>384,487</b>            |
| <b>Usable Reserves</b>                         |       |                           |
| 12,360 Balances - General Fund                 |       | 12,360                    |
| 15,233 Balances - Housing Revenue Account      | 10    | 9,821                     |
| 7,898 Capital Receipts Reserve                 |       | 6,092                     |
| 18,750 Capital Grants Unapplied Account        |       | 14,927                    |
| 56,021 Earmarked Reserves                      | 10    | 55,741                    |
| <b>110,262</b>                                 |       | <b>98,941</b>             |
| <b>Unusable Reserves</b>                       |       |                           |
| 475,796 Revaluation Reserve                    | 24    | 454,146                   |
| -569,640 Pensions Reserve                      |       | -679,092                  |
| 488,156 Capital Adjustment Account             |       | 521,269                   |
| -2,160 Financial Instrument Adjustment Account |       | -2,215                    |
| -9,906 Accumulated Absences Account            |       | -8,562                    |
| <b>382,246</b>                                 |       | <b>285,546</b>            |
| <b>492,508 Total Reserves</b>                  |       | <b>384,487</b>            |

## GROUP BALANCE SHEET

| 31 March<br>2016<br>£'000                          | Notes | 31 March<br>2017<br>£'000 |
|--|-------|---------------------------|
| <b>Property, Plant &amp; Equipment</b>             |       |                           |
| 387,882 Council dwellings                          | 14    | 383,315                   |
| 598,172 Other land and buildings                   |       | 615,659                   |
| 9,438 Vehicles, plant, furniture and equipment     |       | 7,122                     |
| 241,564 Infrastructure assets                      |       | 241,611                   |
| 10,547 Community assets                            |       | 10,159                    |
| 53,910 Surplus assets                              |       | 88,936                    |
| 17,676 Assets under construction                   |       | 30,919                    |
| <b>1,319,189</b>                                   |       | <b>1,377,721</b>          |
| 27,981 Heritage Assets                             | 15    | 29,794                    |
| 75,253 Investment Property                         | 16    | 40,375                    |
| 500 Intangible Assets                              | 17    | 400                       |
| 74 Long Term Investments                           | 18    | 74                        |
| 9,502 Investments in Associates and Joint Ventures |       | 12,167                    |
| 2,320 Long Term Debtors                            | 18    | 2,615                     |
| <b>1,434,819 Long Term Assets</b>                  |       | <b>1,463,146</b>          |
| 31,811 Short Term Investments                      | 18    | 52,548                    |
| 3,422 Assets Held for Sale                         | 21    | 2,979                     |
| 1,992 Inventories                                  |       | 2,129                     |
| 54,165 Short Term Debtors                          | 19    | 46,447                    |
| 37,064 Cash and Cash Equivalents                   | 20    | 30,169                    |
| <b>128,454 Current Assets</b>                      |       | <b>134,272</b>            |
| -6,714 Short Term Borrowing                        | 18    | -37,831                   |
| -56,008 Short Term Creditors                       | 22    | -52,108                   |
| -6,195 Provisions                                  | 23    | -3,222                    |
| -3,000 Grants Receipts in Advance - Capital        | 32    | 0                         |
| <b>-71,917 Current Liabilities</b>                 |       | <b>-93,161</b>            |
| -2,848 Long Term Creditors                         | 18    | -2,359                    |
| -12,773 Provisions                                 | 23    | -10,839                   |
| -404,064 Long Term Borrowing                       | 18    | -415,281                  |
| -569,640 Other Long Term Liabilities               | 40    | -679,092                  |
| <b>-989,325 Long Term Liabilities</b>              |       | <b>-1,107,571</b>         |
| <b>502,031 Net Assets</b>                          |       | <b>396,686</b>            |

## GROUP BALANCE SHEET

| 31 March<br>2016<br>£'000                      | Notes | 31 March<br>2017<br>£'000 |
|--|-------|---------------------------|
| <b>Usable Reserves</b>                         |       |                           |
| 21,883 Balances - General Fund                 |       | 24,559                    |
| 15,233 Balances - Housing Revenue Account      | 10    | 9,821                     |
| 7,898 Capital Receipts Reserve                 |       | 6,092                     |
| 18,750 Capital Grants Unapplied Account        |       | 14,927                    |
| 56,021 Earmarked Reserves                      | 10    | 55,741                    |
| <b><u>119,785</u></b>                          |       | <b><u>111,140</u></b>     |
| <b>Unusable Reserves</b>                       |       |                           |
| 475,796 Revaluation Reserve                    | 24    | 454,146                   |
| -569,640 Pensions Reserve                      |       | -679,092                  |
| 488,156 Capital Adjustment Account             |       | 521,269                   |
| -2,160 Financial Instrument Adjustment Account |       | -2,215                    |
| -9,906 Accumulated Absences Account            |       | -8,562                    |
| <b><u>382,246</u></b>                          |       | <b><u>285,546</u></b>     |
| <b><u>502,031</u></b> Total Reserves           |       | <b><u>396,686</u></b>     |

## **CASH FLOW STATEMENT**

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

| <b>2015/16</b>  | <b>2016/17</b>  |
|---|---|
| <b><u>£'000</u></b>   | <b><u>£'000</u></b>   |
| -102,184 Net (deficit) on the provision of services   | -13,937   |
| 83,993 Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (note 25)  | 72,232  |
| -38,078 Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities (note 25) | -29,118   |
| <hr style="width: 100%; border: 0.5px solid black;"/> -56,269 Net cash flows from operating activities  | <hr style="width: 100%; border: 0.5px solid black;"/> 29,177        |
| -39,636 Investing activities (note 26)  | -78,426   |
| 92,640 Financing activities (note 27)   | 42,334  |
| <hr style="width: 100%; border: 0.5px solid black;"/> -3,265 Net (decrease) or increase in cash and cash equivalents                                      | <hr style="width: 100%; border: 0.5px solid black;"/> -6,915        |
| 40,318 Cash and cash equivalents at the beginning of the reporting period   | 37,053  |
| <hr style="width: 100%; border: 0.5px solid black;"/> <b>37,053</b> Cash and cash equivalents at the end of the reporting period (note 20)                | <hr style="width: 100%; border: 0.5px solid black;"/> <b>30,138</b> |
| <hr style="width: 100%; border: 1.5px solid black;"/>   | <hr style="width: 100%; border: 1.5px solid black;"/>               |

## **GROUP CASH FLOW STATEMENT**

| <u>2015/16</u><br><u>£'000</u>  | <u>2016/17</u><br><u>£'000</u> |
|---|--------------------------------|
| -102,184 Net surplus / (deficit) on the provision of services   | -13,917                        |
| 83,993 Adjustments to net surplus or (deficit) on the provision of services<br>for non-cash movements (note 25)   | 72,232                         |
| -38,078 Adjustments for items included in the net surplus or deficit on the<br>provision of services that are investing and finance activities (note<br>25) | -29,118                        |
| -56,269 Net cash flows from operating activities  | 29,197                         |
| -39,636 Investing activities (note 26)  | -78,426                        |
| 92,640 Financing activities (note 27)   | 42,334                         |
| -3,265 Net increase or decrease in cash and cash equivalents  | -6,895                         |
| 40,329 Cash and cash equivalents at the beginning of the operating period   | 37,064                         |
| <b>37,064 Cash and cash equivalents at the end of the operating period</b><br><b>(note 20)</b>  | <b>30,169</b>                  |

# NOTES TO THE ACCOUNTS

## 1. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017.

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

These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 the City and County of Swansea's accounts with the accounts of companies in which the Authority has an interest and are considered to be part of our group.

The CIPFA Code of Practice on Local Authority Accounting 2016/17 requires that Group Accounting Statements have to be prepared, consolidating the accounts of the parent and any subsidiary, associate or joint undertakings. An assessment of the activities and interests of City and County of Swansea has been undertaken, which has determined that City and County of Swansea Group consists of the Local Authority as the parent, and the following companies:

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

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

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

The Accounts are prepared on a going concern basis.

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

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

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

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

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

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



## **NOTES TO THE ACCOUNTS**

### **iv. Exceptional Items**

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There were no material errors to report in 2016/17.

As part of a review of Property, Plant and Equipment changes in assumptions have been made regarding the remaining useful lives of some operational assets that were subject to revaluation during 2016/17.

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.

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

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

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

## **NOTES TO THE ACCOUNTS**

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

### **vii. Employee Benefits**

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

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

#### **Termination Benefits**

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

#### **Post Employment Benefits**

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

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

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

## NOTES TO THE ACCOUNTS

However, the arrangements for the teachers' scheme means that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The 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 City and County of Swansea pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds as required by IAS 19.
- The assets of the City and County of Swansea pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - industry accepted techniques
  - unitised securities - current bid price
  - property - market value.

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

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

## **NOTES TO THE ACCOUNTS**

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

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

### **Discretionary Benefits**

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

### **viii. Events After the Balance Sheet Date**

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

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

## **NOTES TO THE ACCOUNTS**

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

### **ix. Financial Instruments**

#### **Financial Liabilities**

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

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

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

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

#### **Financial Assets**

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market,
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments,

## **NOTES TO THE ACCOUNTS**

### **Loan and Receivables**

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

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

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

### **xii. Heritage Assets**

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

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

### **xiii. Intangible Assets**

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



## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

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

### **xvi. Investment Property**

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

### **xviii. Leases**

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

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

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

# NOTES TO THE ACCOUNTS

## The Authority as Lessee

### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

# NOTES TO THE ACCOUNTS

## The Authority as Lessor

### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

The written-off value of disposals is not a charge against council tax, as the cost of 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.

## xix. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

## xx. Property, Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

## NOTES TO THE ACCOUNTS

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

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

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

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

- traditional dwellings - straight-line allocation over the estimated useful life of the property (80 years),
- non traditional dwellings - straight-line allocation over the estimated useful life of the property (30 years),
- other buildings - straight-line allocation over the estimated useful life of the property and, 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

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

### **Provisions**

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

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

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

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

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

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

During 2016/17 the Council settled further unequal pay claims totalling £5.401m (including composite payments to HMRC). This was 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.

### **xxii. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. 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, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

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

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

### **xxiv. VAT**

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

## 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 2017 the Authority believes that it will be below the de-minimus level in respect of exempt related input tax and hence will be entitled to recovery of input tax in full.

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

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

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

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

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

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

Level 3 - unobservable inputs for the asset or liability.

### **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 2016/17 (the Code) has introduced accounting policy changes in relation to the following:

- a) Amendment to the reporting of Pension Fund scheme transaction costs,
- b) Amendment to the reporting of investment concentration.

The adoption of the changes above will not result in a change of accounting policy so the Authority will not be required to publish a third Balance Sheet.

The amendment to the reporting of Pension Fund scheme transaction costs requires a new disclosure on investment management transaction costs.

The amendment to the reporting of investment concentration includes a new interpretation and clarification of the disclosure of investment concentration for pension funds.

## NOTES TO THE 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 23rd February 2017 detailed significant ongoing forecast revenue funding shortfalls over the medium term. Current indications are that there will be significant real terms reductions in Revenue and Capital support from Central Government from 2018/19 onwards. Whilst the Authority will consider future spending plans in line with projected funding announcements there is no indication at present that any of the assets of the Authority may be impaired as a result of a need to close facilities and reduce the level of service provision.
- The Authority implemented an equality compliant pay and grading structure for its employees from 1st April 2014. At the same time, the Authority continues to face a residual number of claims from past and existing employees based on equal pay grounds. In determining the extent of the resources to be set aside the Authority has made assumptions regarding the number of potential claimants and the potential value of their respective claims. The Authority is confident that it has sufficient resource to meet the remaining liabilities arising from equal pay issues.
- The Government has made fundamental changes in respect of the provision of public sector pensions. On 9th March 2012, the Government confirmed details for the new Teachers Pension Scheme which were introduced in 2015, with changes to employee contribution rates from April 2012. Changes to employer contribution rates in the Teachers' Pension Scheme took effect from September 2015. Employer rates increased from 14.1% to 16.48%. A re-modelled Local Government Pension scheme was introduced from 1st April 2014 but there is no indication that the finances of the Authority will be adversely affected by any of the changes. The LGPS triennial valuation in 2016 has confirmed the affordability of future 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.

## **NOTES TO THE ACCOUNTS**

- The Authority has undertaken a fundamental review in 2012/13 of its Schools portfolio with a view to both rationalising and significantly improving the quality of school premises available across the City and County (21st Century Schools Programme). In the light of this scheme and the outline timescale for implementation, the useful lives of some school buildings have been re-evaluated and considerably reduced from that previously used. The effect of this is to accelerate residual depreciation affecting both the Comprehensive Income and Expenditure Statement and the net book value as shown on the Balance Sheet. As the Schools Programme has progressed there has been further re-evaluations and adjustments in 2016/17.

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

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

The items in the Authority's Balance Sheet as at 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming year are as follows:-

| <b>Item</b>                   | <b>Uncertainties</b>   | <b>Effect if actual results differ from assumptions</b>   |
|-------------------------------|--|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependant upon assumptions over the specific life expectancy of those assets. As stated in note 3 a review has been undertaken of a significant number of school buildings and in particular the impact of the Councils strategic 21st Century Schools Programme plan for asset replacement. In addition revised useful lives have been applied to a number of assets revalued during 2016/17 in line with professional judgement. | To the extent that useful lives have been determined inappropriately the result could be:-<br><br>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.<br><br>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.<br><br>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. |

## NOTES TO THE ACCOUNTS

| Item                              | Uncertainties   | Effect if actual results differ from assumptions  |
|-----------------------------------|---|---|
| Provisions                        | <p>The Authority has made a significant capital provision for the future remediation and maintenance of major land refuse disposal sites. Uncertainty arises because of the 60 year timescale for liability on this issue.</p>  | <p>Any shortfall in future years will have to be funded via the capital programme.</p>  |
| Pension liabilities               | <p>The Authority's share of the Local Government pension fund liability as at 31st March 2017 is £679.092m. 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 <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Authority employs experts to identify the most appropriate valuation techniques to determine fair value (for example for surplus assets and investment properties, the Authority's internal property valuation team).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Authority's assets and liabilities is disclosed in notes:</p> <p>14. Non-operational PPE (Surplus Assets)<br/>16. Investment Properties<br/>18. 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

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

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

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

| <b>Adjustments between Funding and Accounting Basis</b>  |  |  |                                   |                          |
|--|--|--|-----------------------------------|--------------------------|
| <b>2016/17</b>   |  |  |                                   |                          |
| <b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>   | <b>Adjustments for Capital Purposes (Note 1)</b> | <b>Net Change for Pension Adjustments (Note 2)</b> | <b>Other Differences (Note 3)</b> | <b>Total Adjustments</b> |
|  | <b>£'000</b>                                     | <b>£'000</b>                                       | <b>£'000</b>                      | <b>£'000</b>             |
| Corporate Services   | 6,630  | 632  | -20,097                           | -12,835                  |
| People - Poverty & Prevention  | 1,066  | 230  | -17                               | 1,279                    |
| People - Social Services   | 1,558  | 1,297  | -86                               | 2,769                    |
| People - Education   | 17,552   | -2,835   | -659                              | 14,058                   |
| Place  | 25,586   | 1,784  | 4,310                             | 31,680                   |
| Housing Revenue Account (HRA)  | 5,984  | 130  | 106                               | 6,220                    |
| <b>Net Cost of Services</b>  | <b>58,376</b>                                    | <b>1,238</b>                                       | <b>-16,443</b>                    | <b>43,171</b>            |
| <b>Other income and expenditure from the Expenditure and Funding Analysis</b>  | <b>-70,189</b>                                   | <b>18,691</b>                                      | <b>16,572</b>                     | <b>-34,926</b>           |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>-11,813</b>                                   | <b>19,929</b>                                      | <b>129</b>                        | <b>8,245</b>             |

## NOTES TO THE ACCOUNTS

### Adjustments between Funding and Accounting Basis 2015/16

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts  | Adjustments for Capital Purposes<br>(Note 1)<br>£'000 | Net Change for Pension Adjustments<br>(Note 2)<br>£'000 | Other Differences<br>(Note 3)<br>£'000 | Total Adjustments<br>£'000 |
|--|---|---|--|----------------------------|
| Corporate Services   | 8,570   | -743  | -20,895                                | -13,068                    |
| People - Poverty & Prevention  | 249   | 253   | 68                                     | 570                        |
| People - Social Services   | 1,938   | 1,516   | 312                                    | 3,766                      |
| People - Education   | 37,921  | -2,559  | 1,783                                  | 37,145                     |
| Place  | 37,204  | 2,159   | 230                                    | 39,593                     |
| Housing Revenue Account (HRA)  | 3,327   | 303   | 291                                    | 3,921                      |
| <b>Net Cost of Services</b>  | <b>89,209</b>   | <b>929</b>  | <b>-18,211</b>                         | <b>71,927</b>              |
| <b>Other income and expenditure from the Expenditure and Funding Analysis</b>  | <b>-81,534</b>  | <b>17,491</b>   | <b>93,967</b>                          | <b>29,924</b>              |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>7,675</b>  | <b>18,420</b>   | <b>75,756</b>                          | <b>101,851</b>             |

### 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.

# NOTES TO THE ACCOUNTS

## 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 Differences

- 3) Other differences 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 differences 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.

## 6b) Segmental Income

Income received on a segmental basis is analysed below:

| <b>Services</b>                                   | <b>2016/17</b><br><b>Income from Services</b><br><b>£'000</b> | <b>2015/16</b><br><b>Income from Services</b><br><b>£'000</b> |
|---|---|---|
| Corporate Services                                | -93,221   | -97,098   |
| People - Poverty & Prevention                     | -11,245   | -102,127  |
| People - Social Services                          | -44,653   | -43,347   |
| People - Education                                | -44,917   | -43,502   |
| Place   | -106,157  | -11,279   |
| Housing Revenue Account (HRA)                     | -60,689   | -56,375   |
| <b>Total income analysed on a segmental basis</b> | <b>-360,882</b>   | <b>-353,728</b>   |

## NOTES TO THE ACCOUNTS

### 7. Expenditure and Income Analysed by Nature

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

|  | 2015/16         | 2016/17         |
|--|-----------------|-----------------|
| <b>Expenditure/Income</b>                              | <b>£'000</b>    | <b>£'000</b>    |
| <b>Expenditure</b>                                     |                 |                 |
| Employee expenses                                      | 321,405         | 333,928         |
| Premises   | 49,841          | 45,386          |
| Transport  | 25,470          | 27,602          |
| Supplies & Services                                    | 101,627         | 156,486         |
| Other Costs  | 302,587         | 172,837         |
| Depreciation, amortisation and impairment              | 85,466          | 52,994          |
| Interest payments                                      | 20,417          | 20,420          |
| Precepts and levies                                    | 30,577          | 31,502          |
| Gain or loss on the disposal of assets                 | -3,229          | -442            |
| <b>Total expenditure</b>                               | <b>934,161</b>  | <b>840,713</b>  |
| <b>Income</b>  |                 |                 |
| Fees, charges and other service income                 | -219,604        | -221,754        |
| Interest and investment income                         | -349            | -359            |
| Income from council tax                                | -100,346        | -105,152        |
| Government grants and contributions                    | -511,678        | -499,511        |
| <b>Total income</b>                                    | <b>-831,977</b> | <b>-826,776</b> |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>102,184</b>  | <b>13,937</b>   |

### 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.

**2016/17**

|  | Usable Reserves         |                            |                             |                             |
|--|-------------------------|----------------------------|-----------------------------|-----------------------------|
|  | General Fund<br>Balance | Housing Revenue<br>Account | Capital Receipts<br>Reserve | Capital Grants<br>Unapplied |
|  | £'000                   | £'000                      | £'000                       | £'000                       |
| <b>Adjustments to the Revenue Resources</b>  |                         |                            |                             |                             |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: |                         |                            |                             |                             |
| - Pensions costs (transferred to (or from) the Pensions Reserve)   | 18,864                  | 1,198                      | 0                           | 0                           |
| - Financial instruments (transferred to the Financial Instruments Adjustments Account)   | 55                      | -3                         | 0                           | 0                           |
| - Holiday pay (transferred to the Accumulated Absences Reserve)  | -1,211                  | -133                       | 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):                  | 39,183                  | -3,033                     | 0                           | -3,822                      |
| <b>Total Adjustments to Revenue Resources</b>  | <b>56,891</b>           | <b>-1,971</b>              | <b>0</b>                    | <b>-3,822</b>               |

## NOTES TO THE ACCOUNTS

2016/17

|   | Usable Reserves         |                            |                             |                             |
|---|-------------------------|----------------------------|-----------------------------|-----------------------------|
|   | General Fund<br>Balance | Housing Revenue<br>Account | Capital Receipts<br>Reserve | Capital Grants<br>Unapplied |
|   | £'000                   | £'000                      | £'000                       | £'000                       |
| <b>Adjustments between Revenue and Capital Resources</b>  |                         |                            |                             |                             |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve        | -442                    | 0                          | 3,988                       | 0                           |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)    | -11,156                 | -2,703                     | 0                           | 0                           |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | -4,380                  | -28,000                    | 0                           | 0                           |
| <b>Total Adjustments between Revenue and Capital Resources</b>                                  | <b>-15,978</b>          | <b>-30,703</b>             | <b>3,988</b>                | <b>0</b>                    |
| <b>Adjustments to Capital Resources</b>   |                         |                            |                             |                             |
| Use of Capital Receipts Reserve to finance capital expenditure                                  | 0                       | 0                          | -77                         | 0                           |
| Cash payments in relation to deferred capital receipts  | 0                       | 0                          | -5,716                      | 0                           |
| <b>Total Adjustments to Capital Resources</b>   | <b>0</b>                | <b>0</b>                   | <b>-5,793</b>               | <b>0</b>                    |
| <b>Total Adjustments</b>  | <b>40,913</b>           | <b>-32,674</b>             | <b>-1,805</b>               | <b>-3,822</b>               |

## NOTES TO THE ACCOUNTS

### 2015/16 Comparative Figures

|  | Usable Reserves         |                            |                             |                             |
|--|-------------------------|----------------------------|-----------------------------|-----------------------------|
|  | General Fund<br>Balance | Housing Revenue<br>Account | Capital Receipts<br>Reserve | Capital Grants<br>Unapplied |
|  | £'000                   | £'000                      | £'000                       | £'000                       |
| <b>Adjustments to the Revenue Resources</b>  |                         |                            |                             |                             |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: |                         |                            |                             |                             |
| - Pensions costs (transferred to (or from) the Pensions Reserve)   | 17,242                  | 1,178                      | 0                           | 0                           |
| - Financial instruments (transferred to the Financial Instruments Adjustments Account)   | 507                     | 110                        | 0                           | 0                           |
| - Holiday pay (transferred to the Accumulated Absences Reserve)  | 993                     | 183                        | 0                           | 0                           |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):                  | 60,080                  | -5,682                     | 0                           | -2,215                      |
| Reversal of HRA exit subsidy   | 0                       | 73,580                     | 0                           | 0                           |
| <b>Total Adjustments to Revenue Resources</b>  | <b>78,822</b>           | <b>69,369</b>              | <b>0</b>                    | <b>-2,215</b>               |
| <b>Adjustments between Revenue and Capital Resources</b>   |                         |                            |                             |                             |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | -3,229                  | 0                          | 7,864                       | 0                           |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | -15,052                 | -1,270                     | 0                           | 0                           |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | -2,694                  | -24,093                    | 0                           | 0                           |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>-20,975</b>          | <b>-25,363</b>             | <b>7,864</b>                | <b>0</b>                    |



## NOTES TO THE ACCOUNTS

### 2015/16 Comparative Figures

|  | Usable Reserves         |                            |                             |                             |
|--|-------------------------|----------------------------|-----------------------------|-----------------------------|
|  | General Fund<br>Balance | Housing Revenue<br>Account | Capital Receipts<br>Reserve | Capital Grants<br>Unapplied |
|  | £'000                   | £'000                      | £'000                       | £'000                       |
| <b>Adjustments to Capital Resources</b>                        |                         |                            |                             |                             |
| Use of Capital Receipts Reserve to finance capital expenditure | 0                       | 0                          | -637                        | 0                           |
| Cash payments in relation to deferred capital receipts         | 0                       | 0                          | -12,265                     | 0                           |
| <b>Total Adjustments to Capital Resources</b>                  | <b>0</b>                | <b>0</b>                   | <b>-12,902</b>              | <b>0</b>                    |
| <b>Total Adjustments</b>                                       | <b>57,847</b>           | <b>44,006</b>              | <b>-5,038</b>               | <b>-2,215</b>               |

### 9. Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

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

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

## NOTES TO THE ACCOUNTS

### 10. Movements In Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17.

|  | Balance at 1st April 2015<br>£'000 | Transfers Out 2015/16<br>£'000 | Transfers In 2015/16<br>£'000 | Balance at 31st March 2016<br>£'000 | Transfers Out 2016/17<br>£'000 | Transfers In 2016/17<br>£'000 | Balance at 31st March 2017<br>£'000 |
|--|------------------------------------|--------------------------------|-------------------------------|-------------------------------------|--------------------------------|-------------------------------|-------------------------------------|
| <b>General Fund:</b>   |                                    |                                |                               |                                     |                                |                               |                                     |
| Balances held by schools under the scheme of delegation      | 9,755                              | -611                           | 403                           | 9,547                               | -2,095                         | 123                           | 7,575                               |
| Primary School Sickness Scheme Reserve                       | 450                                | -450                           | 145                           | 145                                 | -145                           | 13                            | 13                                  |
| Information technology reserves                              | 577                                | -239                           | 124                           | 462                                 | -52                            | 5                             | 415                                 |
| Development reserves   | 4,275                              | -70                            | 221                           | 4,426                               | -69                            | 227                           | 4,584                               |
| Insurance reserves   | 14,775                             | -4,183                         | 3,500                         | 14,092                              | -2,951                         | 4,554                         | 15,695                              |
| Restructuring Costs reserve                                  | 7,851                              | 0                              | 1,646                         | 9,497                               | -1,018                         | 0                             | 8,479                               |
| Other earmarked revenue reserves                             | 12,866                             | -3,082                         | 2,572                         | 12,356                              | -2,157                         | 3,201                         | 13,400                              |
| Revenue reserve earmarked to fund future capital expenditure | 3,903                              | 0                              | 1,593                         | 5,496                               | 0                              | 84                            | 5,580                               |
| <b>Total</b>   | <b>54,452</b>                      | <b>-8,635</b>                  | <b>10,204</b>                 | <b>56,021</b>                       | <b>-8,487</b>                  | <b>8,207</b>                  | <b>55,741</b>                       |
| <b>HRA:</b>  |                                    |                                |                               |                                     |                                |                               |                                     |
| Housing Revenue Account                                      | 17,135                             | -1,902                         | 0                             | 15,233                              | -5,412                         | 0                             | 9,821                               |

## NOTES TO THE ACCOUNTS

### 11. Other Operating Expenditure

| 2015/16<br>£'000   | 2016/17<br>£'000 |
|--|------------------|
| 910 Community Council precepts                             | 967              |
| 17,801 South Wales Police Authority precept                | 18,530           |
| 11,866 Levies and Contributions                            | 12,005           |
| -3,229 Gains/losses on the disposals of non-current assets | -441             |
| <b>27,348</b>  | <b>31,061</b>    |

### 12. Financing and Investment Income and Expenditure

| 2015/16            |                       |                  | 2016/17            |                       |   |
|--------------------|-----------------------|------------------|--------------------|-----------------------|---|
| Gross Exp<br>£'000 | Gross Income<br>£'000 | Net Exp<br>£'000 | Gross Exp<br>£'000 | Gross Income<br>£'000 | Net Exp<br>£'000  |
| 20,417             | 0                     | 20,417           | 20,419             | 0                     | 20,419  |
|                    |                       |                  |                    |                       | Interest payable and similar charges  |
| 45,720             | -28,230               | 17,490           | 48,440             | -29,750               | 18,690  |
|                    |                       |                  |                    |                       | Net interest on the net defined benefit liability (asset)                                   |
| 0                  | -349                  | -349             | 0                  | -358                  | -358  |
|                    |                       |                  |                    |                       | Interest receivable and similar income  |
| 6,263              | -13,365               | -7,102           | 3,084              | -5,891                | -2,807  |
|                    |                       |                  |                    |                       | Income and expenditure in relation to investment properties and changes in their fair value |
| <b>72,400</b>      | <b>-41,944</b>        | <b>30,456</b>    | <b>71,943</b>      | <b>-35,999</b>        | <b>35,944</b>   |

The income generated from investment properties during the year amounted to £4.106m (2015/16 £5.238m) and changes to the fair value of investment properties amounted to -£0.510m (2015/16 £2.035m).

### 13. Taxation and Non Specific Grant Income

| 2015/16<br>£'000                          | 2016/17<br>£'000 |
|---|------------------|
| -100,346 Council tax income (note 43)     | -105,152         |
| -70,092 Non domestic rates (note 44)      | -73,224          |
| -237,542 Non-ringfenced government grants | -234,543         |
| -33,446 Capital grants and contributions  | -24,157          |
| -1,601 Other grants                       | -23              |
| <b>-443,027</b>                           | <b>-437,099</b>  |

## NOTES TO THE ACCOUNTS

### 14. Property, Plant and Equipment

#### Movement on Balances

Movements in 2016/17:

|  | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|-------------------|--------------------------|--|-----------------------|------------------|----------------|---------------------------|-------------------------------------|
|  | £'000             | £'000                    | £'000                                  | £'000                 | £'000            | £'000          | £'000                     | £'000                               |
| <b>Cost or valuation</b>   |                   |                          |  |                       |                  |                |                           |                                     |
| At 1 April 2016  | 388,001           | 639,864                  | 36,921                                 | 370,450               | 15,989           | 53,910         | 17,676                    | 1,522,811                           |
| additions (Cap Exp)  | 40,065            | 8,784                    | 2,315                                  | 9,965                 | 116              | 2,737          | 26,461                    | 90,443                              |
| additions (Other)  | 0                 | 0                        | 0                                      | 0                     | 0                | 1,544          | 0                         | 1,544                               |
| revaluation increases / (decreases) recognised in the Revaluation Reserve                          | -39,325           | 1,034                    | 0                                      | 0                     | 0                | 2,735          | 0                         | -35,556                             |
| revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | -231              | 1,319                    | -142                                   | 0                     | -116             | -4,938         | -1,490                    | -5,598                              |
| impairment losses recognised in the Surplus/Deficit on the Provision of Services                   | 0                 | -1,470                   | -139                                   | -741                  | 0                | 0              | 0                         | -2,350                              |
| derecognition - disposals  | -80               | 0                        | -215                                   | 0                     | 0                | -1,231         | 0                         | -1,526                              |
| assets reclassified to/from Held for Sale  | 0                 | -1,525                   | 0                                      | 0                     | 0                | -170           | 0                         | -1,695                              |

## NOTES TO THE ACCOUNTS

Movements in 2016/17 (continued):

|  | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|-------------------|--------------------------|--|-----------------------|------------------|----------------|---------------------------|-------------------------------------|
|  | £'000             | £'000                    | £'000                                  | £'000                 | £'000            | £'000          | £'000                     | £'000                               |
| reclassifications Cap Ex WIP   | 370               | 9,982                    | 27                                     | 856                   | 0                | 481            | -11,728                   | -12                                 |
| other reclassifications  | 308               | 259                      | -3,065                                 | 431                   | 0                | 33,898         | 0                         | 31,831                              |
| <b>At 31 March 2017</b>  | <b>389,108</b>    | <b>658,247</b>           | <b>35,702</b>                          | <b>380,961</b>        | <b>15,989</b>    | <b>88,966</b>  | <b>30,919</b>             | <b>1,599,892</b>                    |
| <b>Accumulated Depreciation and Impairment</b>                                 |                   |                          |  |                       |                  |                |                           |                                     |
| At 1 April 2016  | -119              | -41,692                  | -27,483                                | -128,886              | -5,442           | 0              | 0                         | -203,622                            |
| depreciation charge  | -5,720            | -26,034                  | -1,555                                 | -10,332               | -388             | -38            | 0                         | -44,067                             |
| depreciation written out to the Revaluation Reserve                            | 45                | 25,138                   | 0                                      | 0                     | 0                | 0              | 0                         | 25,183                              |
| depreciation written out to the Surplus / Deficit on the provision of services | 0                 | 0                        | 140                                    | 0                     | 0                | 8              | 0                         | 148                                 |
| derecognition - disposals  | 1                 | 0                        | 186                                    | 0                     | 0                | 0              | 0                         | 187                                 |
| other movements in depreciation and impairment                                 | 0                 | 0                        | 132                                    | -132                  | 0                | 0              | 0                         | 0                                   |
| <b>At 31 March 2017</b>  | <b>-5,793</b>     | <b>-42,588</b>           | <b>-28,580</b>                         | <b>-139,350</b>       | <b>-5,830</b>    | <b>-30</b>     | <b>0</b>                  | <b>-222,171</b>                     |

### Net Book Value

|                  |         |         |       |         |        |        |        |           |
|------------------|---------|---------|-------|---------|--------|--------|--------|-----------|
| at 31 March 2016 | 387,882 | 598,172 | 9,438 | 241,564 | 10,547 | 53,910 | 17,676 | 1,319,189 |
| at 31 March 2017 | 383,315 | 615,659 | 7,122 | 241,611 | 10,159 | 88,936 | 30,919 | 1,377,721 |

## NOTES TO THE ACCOUNTS

Comparative Movements in 2015/16:

|  | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|-------------------|--------------------------|--|-----------------------|------------------|----------------|---------------------------|-------------------------------------|
|  | £'000             | £'000                    | £'000                                  | £'000                 | £'000            | £'000          | £'000                     | £'000                               |
| <b>Cost or valuation</b>   |                   |                          |  |                       |                  |                |                           |                                     |
| At 1 April 2015  | 176,062           | 635,779                  | 37,034                                 | 360,609               | 15,989           | 8,073          | 16,196                    | 1,249,742                           |
| additions(Cap Exp)   | 41,047            | 11,737                   | 1,667                                  | 10,265                | 0                | 1,708          | 12,662                    | 79,086                              |
| additions(Other)   | 252               | 0                        | 6                                      | 0                     | 0                | 1,466          | 0                         | 1,724                               |
| revaluation increases / (decreases) recognised in the Revaluation Reserve                          | 171,413           | -4,301                   | 0                                      | 0                     | 0                | -625           | 0                         | 166,487                             |
| revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | -87               | -9,591                   | -355                                   | 0                     | 0                | -5,913         | 0                         | -15,946                             |
| impairment losses recognised in the Surplus/Deficit on the Provision of Services                   | 0                 | -7,921                   | -313                                   | -266                  | 0                | -19            | 0                         | -8,519                              |
| Derecognition - Disposals  | -707              | 0                        | -1,918                                 | 0                     | 0                | -244           | 0                         | -2,869                              |
| assets reclassified to/from Held for Sale  | 0                 | 1,001                    | 0                                      | 0                     | 0                | -30            | 0                         | 971                                 |
| reclassifications Cap Ex WIP   | 0                 | 10,348                   | 800                                    | 34                    | 0                | 0              | -11,182                   | 0                                   |
| other reclassifications  | 21                | 2,812                    | 0                                      | -192                  | 0                | 49,494         | 0                         | 52,135                              |
| <b>At 31 March 2016</b>  | <b>388,001</b>    | <b>639,864</b>           | <b>36,921</b>                          | <b>370,450</b>        | <b>15,989</b>    | <b>53,910</b>  | <b>17,676</b>             | <b>1,522,811</b>                    |

## NOTES TO THE ACCOUNTS

Comparative Movements in 2015/16 (continued):

|  | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|-------------------|--------------------------|--|-----------------------|------------------|----------------|---------------------------|-------------------------------------|
|  | £'000             | £'000                    | £'000                                  | £'000                 | £'000            | £'000          | £'000                     | £'000                               |
| <b>Accumulated Depreciation and Impairment</b>                               |                   |                          |  |                       |                  |                |                           |                                     |
| At 1 April 2015  | -2,591            | -4,130                   | -25,155                                | -118,706              | -5,053           | -109           | 0                         | -155,744                            |
| depreciation charge  | -3,150            | -47,398                  | -4,588                                 | -10,190               | -389             | -244           | 0                         | -65,959                             |
| depreciation written out to the Revaluation Reserve                          | 5,622             | 3,290                    | 0                                      | 0                     | 0                | 306            | 0                         | 9,218                               |
| depreciation written out to the Surplus/Deficit on the provision of services | 0                 | 6,546                    | 350                                    | 0                     | 0                | 57             | 0                         | 6,953                               |
| derecognition - Disposals  | 0                 | 0                        | 1,910                                  | 0                     | 0                | 0              | 0                         | 1,910                               |
| other movements in depreciation and impairment                               | 0                 | 0                        | 0                                      | 10                    | 0                | -10            | 0                         | 0                                   |
| <b>At 31 March 2016</b>  | <b>-119</b>       | <b>-41,692</b>           | <b>-27,483</b>                         | <b>-128,886</b>       | <b>-5,442</b>    | <b>0</b>       | <b>0</b>                  | <b>-203,622</b>                     |

### Net Book Value

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

# NOTES TO THE ACCOUNTS

## Capital Commitments

As at 31 March 2017 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £17.631m. Similar commitments at 31 March 2016 were £21.954m.

The major commitments are:

- Lonlas Primary new school £402k
- Pentrehafod Comprehensive Refurbishment £10,092k
- Sandfields Renewals Area £308k
- Feasibility study/planning St David's site and scheme development at Civic Site £525k
- 3G pitches at Penyrheol and Morryston Schools £809k
- HRA Highrise flats, Matthew Street £237k
- HRA Environmental Facilities Schemes £701k
- HRA Enveloping Properties at West Cross £609k
- HRA Highrise flats, Clyne & Jeffreys Court £3,948k

## 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 2016/17 were 31st December 2016 and 31st March 2017.



## **ASSET STRUCTURE**

### **Asset Structure**

The major non-current assets held by the Authority at 31st March 2017 are:

| <b>Number<br/>31/03/2016</b> |   | <b>Number<br/>31/03/2017</b> |
|------------------------------|---|------------------------------|
|                              | <b>Corporate Building &amp; Property Services</b> |                              |
| 1                            | • Heol y Gors Depot                               | 1                            |
| 1                            | • Penlan Storage Depot                            | 1                            |
| 1                            | • Enterprise Park                                 | 1                            |
| 9                            | • Industrial/Warehousing Sites                    | 8                            |
| 1                            | • Civic Centre (Swansea)                          | 1                            |
| 1                            | • Civic Centre (Penllergaer)                      | 1                            |
| 1                            | • Guildhall                                       | 1                            |
| 1,096                        | • Residential Freeholds                           | 1,057                        |
| 1                            | • St David's Shopping Centre                      | 1                            |
| 1                            | • The Quadrant Shopping Centre                    | 1                            |
| 1                            | • West Cross Bunker                               | 1                            |
|                              | <b>Culture &amp; Tourism</b>                      |                              |
| 4                            | • Leisure Centres                                 | 4                            |
| 1                            | • LC  | 1                            |
| 38                           | • Pavilions/Changing Rooms                        | 38                           |
| 3                            | • Sports Centres                                  | 2                            |
| 1                            | • Blackpill Lido                                  | 1                            |
| 1                            | • St Helens Ground                                | 1                            |
| 1                            | • Tennis Centre                                   | 1                            |
| 1                            | • Plantasia                                       | 1                            |
| 1                            | • Botanic Gardens                                 | 1                            |
| 1                            | • Grand Theatre                                   | 1                            |
| 1                            | • Brangwyn Hall                                   | 1                            |
| 1                            | • Dylan Thomas Centre                             | 1                            |
| 1                            | • Patti Pavilion                                  | 1                            |
| 78                           | • Parks & Open Spaces (497 Hectares)              | 78                           |
| 970                          | • Foreshore (hectares)                            | 970                          |
| 86                           | • Children's Playgrounds                          | 87                           |
| 1                            | • Caravan Parks                                   | 1                            |
| 1                            | • Tourist Information Centres                     | 0                            |
| 1                            | • Stadium   | 1                            |
| 1                            | • Bowls Hall                                      | 1                            |
| 4                            | • Museums   | 4                            |
| 1                            | • Art Gallery                                     | 1                            |
| 39                           | • Community Centres & Senior Citizen Pavilions    | 39                           |
| 1                            | • Discovery Centre - Brynmill                     | 1                            |

## ASSET STRUCTURE

| Number<br>31/03/2016                           |  | Number<br>31/03/2017 |
|--|--|----------------------|
| 1  | • Ty Blodau - Botanics   | 1                    |
| 1  | • Adizone  | 1                    |
| 1  | • Country Park - Clyne   | 1                    |
| 13   | • Skateparks   | 14                   |
| 16   | • Multi Use Games Areas  | 17                   |
| 1  | • Promenade Fitness Trail  | 2                    |
| 5  | • Parks Fitness Trails - Parc Llewellyn, Coedbach,<br>Coed Gwilym & Fendrod Lake | 5                    |
| 1  | • Oystermouth Castle   | 1                    |
| 16   | • Allotments   | 16                   |
| 8  | • BMX Tracks   | 8                    |
| 17   | • Libraries  | 17                   |
| 1  | • Watersports Centre   | 1                    |
| 1  | • Knab Rock Watersports Centre   | 1                    |
| 6  | • Course Angling Lakes   | 6                    |
| 2  | • Crazy Golf   | 2                    |
| 1  | • Blackpill Pitch & Putt   | 1                    |
| <b>Education</b>                               |  |                      |
| 74   | • Primary/Junior/Infants/Nursery School (excluding<br>Church Schools)            | 74                   |
| 13   | • Secondary Schools (excluding Church Schools)                                   | 13                   |
| 5  | • Special Schools/Referral Units   | 5                    |
| 3  | • Community Education  | 2                    |
| 3  | • Residential Activity Centres   | 2                    |
| 3  | • Youth Clubs  | 3                    |
| 1  | • Youth Information Service (Info Nation and Canoldre)                           | 1                    |
| 2  | • Family Centres   | 2                    |
| 16   | • Flying Start Settings (not shared use with school)                             | 18                   |
| 9  | • Other (Closed Former Schools & Educ. Centres)                                  | 4                    |
| <b>Housing and Community Regeneration</b>      |  |                      |
| 13,493   | • Council Dwellings  | 13,500               |
| 9  | • Area Housing Offices   | 9                    |
| <b>Marketing Communications &amp; Scrutiny</b> |  |                      |
| 1  | • Mansion House  | 1                    |
| <b>Public Protection</b>                       |  |                      |
| 7  | • Cemeteries   | 7                    |
| 1  | • Crematorium  | 1                    |
| 5  | • Cemetery Lodges/Chapel of Rest   | 5                    |
| 1  | • Designated New Cemetery (not yet operational)                                  | 1                    |

## ASSET STRUCTURE

| Number<br>31/03/2016 |  | Number<br>31/03/2017 |
|----------------------|--|----------------------|
|                      | <b>Regeneration &amp; Planning</b>                             |                      |
| 1                    | • Garth Farm   | 1                    |
| 1                    | • Bishopwood Centre  | 1                    |
| 6                    | • Local Nature Reserves  | 6                    |
| 1                    | • Market   | 1                    |
|                      | <b>Shared Premises (Streetscene / Waste Management)</b>        |                      |
| 1                    | • Depot (Pipehouse Wharf)                                      | 1                    |
|                      | <b>Social Services</b>   |                      |
| 11                   | • Residential & Respite Facilities                             | 11                   |
| 2                    | • Residential & Respite Facilities (Vacant)                    | 1                    |
| 16                   | • Day & Social Centres/Activities                              | 16                   |
| 3                    | • Residential & Day Centres/Activities (combined on same site) | 3                    |
| 7                    | • Offices/Resource Centres (1 x vacant)                        | 5                    |
| 4                    | • Other major assets   | 4                    |
|                      | <b>Streetscene</b>   |                      |
| 102                  | • Principal Roads - A Roads (Kilometres)                       | 102                  |
| 230                  | • Non Principal Roads - B & C Roads (Kilometres)               | 230                  |
| 773                  | • Non Classified Roads (Kilometres)                            | 773                  |
| 1                    | • Depot (Clydach)  | 1                    |
|                      | <b>Transportation</b>  |                      |
| 61                   | • Car Parks  | 59                   |
| 1                    | • Swansea Bus Station (Quadrant)                               | 1                    |
| 1                    | • Marina   | 1                    |
| 1                    | • Barrage  | 1                    |
| 35,725               | • Highway Bridges (Square metres of deck area)                 | 36,168               |
| 13                   | • Highway Retaining Walls (Kilometres)                         | 13                   |
|                      | <b>Waste Management</b>  |                      |
| 5                    | • Amenity Sites  | 5                    |
| 1                    | • Landfill Sites   | 1                    |
| 1                    | • MRF (Baling Plant Llansamlet)                                | 1                    |

## NOTES TO THE ACCOUNTS

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

#### Fair Value Hierarchy

Details of the Authority's surplus assets and information about fair value hierarchy as at 31 March 2017 and 31 March 2016 are as follows:

|  | Quoted prices in active markets for identical assets | Other significant observable inputs | Significant unobservable inputs | Fair Value as at 31st March 2017 | Fair value reclassified from Surplus prior to 31st March 2017 | Fair Value reclassified to Surplus Assets prior to 31st March 2017 |               |               | Fair value adjusted prior to IFRS 13 as at 31st March 2017 | Fair value adjusted prior to IFRS 13 as at 31st March 2017 - Reclassified from Surplus Assets prior to 31st March 2017 | Total Surplus Assets Value as at 31st March 2017 |
|--|--|-------------------------------------|---------------------------------|----------------------------------|---|--|---------------|---------------|--|--|--|
|  | (Level 1)  | (Level 2)                           | (Level 3)                       |                                  |   | (Level 1)  | (Level 2)     | (Level 3)     |  |  |  |
| Recurring fair value measurements using: | £'000  | £'000                               | £'000                           | £'000                            | £'000   | £'000  | £'000         | £'000         | £'000  | £'000  | £'000  |
| Long Leases @ Peppercorn Rent            | 0  | 0                                   | 1                               | 1                                | 0   | 0  | 0             | 0             | 0  | 0  | 1  |
| Agricultural                             | 0  | 0                                   | 0                               | 0                                | 0   | 0  | 0             | 0             | 189  | 0  | 189  |
| City Centre                              | 0  | 0                                   | 2,538                           | 2,538                            | 0   | 0  | 5,894         | 7,389         | 3,400  | 0  | 19,221   |
| Industrial Units                         | 0  | 0                                   | 0                               | 0                                | 0   | 0  | 0             | 2,207         | 264  | 0  | 2,471  |
| Land only                                | 0  | 1,236                               | 44,582                          | 45,818                           | 0   | 0  | 0             | 0             | 0  | 0  | 45,818   |
| High Value                               | 0  | 0                                   | 260                             | 260                              | 0   | 0  | 0             | 0             | 0  | 0  | 260  |
| Residential Freeholds (LRA)              | 0  | 0                                   | 0                               | 0                                | 0   | 0  | 0             | 0             | 0  | 432  | 432  |
| Residential shared %                     | 0  | 0                                   | 0                               | 0                                | 0   | 0  | 0             | 0             | 1,046  | 0  | 1,046  |
| Miscellaneous                            | 0  | 792                                 | 5,195                           | 5,987                            | 0   | 0  | 4,458         | 9,009         | 55   | 19   | 19,528   |
| <b>Total</b>                             | <b>0</b>   | <b>2,028</b>                        | <b>52,576</b>                   | <b>54,604</b>                    | <b>0</b>  | <b>0</b>   | <b>10,352</b> | <b>18,605</b> | <b>4,954</b>   | <b>451</b>   | <b>88,966</b>                                    |

# NOTES TO THE ACCOUNTS

## 2015/16 Comparative Figures

|  | Quoted prices in active markets for identical assets | Other significant observable inputs | Significant unobservable inputs | Fair Value as at 31st March 2016 | Fair value reclassified from Surplus prior to 31st March 2016 | Fair Value reclassified to Surplus Assets prior to 31st March 2016 |              |               | Fair value adjusted prior to IFRS 13 as at 31st March 2016 | Total Surplus Assets Value as at 31st March 2016 |
|--|--|-------------------------------------|---------------------------------|----------------------------------|---|--|--------------|---------------|--|--|
|  | (Level 1)  | (Level 2)                           | (Level 3)                       |                                  |   | (Level 1)  | (Level 2)    | (Level 3)     |  |  |
| Recurring fair value measurements using: | £'000  | £'000                               | £'000                           | £'000                            | £'000   | £'000  | £'000        | £'000         | £'000  | £'000  |
| Land Only                                | 0  | 0                                   | 0                               | 0                                | 0   | 0  | 1,149        | 41,985        | 2,970  | 46,104   |
| Residential Freeholds (LRA)              | 0  | 0                                   | 0                               | 0                                | 0   | 0  | 0            | 13            | 1,808  | 1,821  |
| Miscellaneous                            | 0  | 474                                 | 4,110                           | 4,584                            | -174  | 0  | 50           | 1,165         | 360  | 5,985  |
| Long leases @ Peppercorn rent            | 0  | 0                                   | 2                               | 2                                | -2  | 0  | 0            | 0             | 0  | 0  |
| <b>Total</b>                             | <b>0</b>   | <b>474</b>                          | <b>4,112</b>                    | <b>4,586</b>                     | <b>-176</b>   | <b>0</b>   | <b>1,199</b> | <b>43,163</b> | <b>5,138</b>   | <b>53,910</b>                                    |

## NOTES TO THE ACCOUNTS

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

#### Significant Observable Inputs - Level 2

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

#### Significant Unobservable Inputs - Level 3

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

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

#### Highest and Best Use of Surplus Assets

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

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

| Long Lease @ Peppercorn Rent categorised with Level 3   | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Opening balance   | 0             | 540           |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value                            | -79           | -149          |
| 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             | -389          |
| Transfers to/from Property, Plant and Equipment   | 80            | -2            |
| <b>Closing Balance</b>  | <b>1</b>      | <b>0</b>      |

## NOTES TO THE ACCOUNTS

| City Centre categorised with Level 3  | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Opening balance   | 0             | 0             |
| Transfers In - Fair Value adjustment prior to IFRS13  | 100           | 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 | -763          | 0             |
| Transfers to/from Property, Plant and Equipment   | 7,389         | 0             |
| Additions   | 3,201         | 0             |
| <b>Closing Balance</b>  | <b>9,927</b>  | <b>0</b>      |

| Industrial Units categorised with Level 3            | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Opening balance                                      | 0             | 0             |
| Transfers In - Fair Value adjustment prior to IFRS13 | 2,207         | 0             |
| <b>Closing Balance</b>                               | <b>2,207</b>  | <b>0</b>      |

| Land Only categorised with Level 3  | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Opening balance   | 41,985        | 0             |
| Transfers In - Fair Value adjustment prior to IFRS13  | 2,496         | 0             |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value                            | 3,048         | 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 | -2,690        | 0             |
| Transfers to/from Property, Plant and Equipment   | -275          | 41,985        |
| Additions   | 678           | 0             |
| Disposals   | -660          | 0             |
| <b>Closing Balance</b>  | <b>44,582</b> | <b>41,985</b> |

## NOTES TO THE ACCOUNTS

| High Value categorised with Level 3  | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Opening balance  | 0             | 0             |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value | 46            | 0             |
| Transfers to/from Property, Plant and Equipment  | 214           | 0             |
| <b>Closing Balance</b>   | <b>260</b>    | <b>0</b>      |

| Residential Freehold (LRA) categorised with Level 3 | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Opening balance                                     | 13            | 0             |
| Transfers to/from Property, Plant and Equipment     | -13           | 13            |
| <b>Closing Balance</b>                              | <b>0</b>      | <b>13</b>     |

| Miscellaneous categorised with Level 3  | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Opening balance   | 5,275         | 7,097         |
| Transfers In - Fair Value adjustment prior to IFRS13  | 222           | 0             |
| Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value                            | 239           | -549          |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | -144          | -5,520        |
| Transfers to/from Property, Plant and Equipment   | 8,849         | 1,165         |
| Additions   | 763           | 3,082         |
| Disposals   | -1,000        | 0             |
| <b>Closing Balance</b>  | <b>14,204</b> | <b>5,275</b>  |



## NOTES TO THE ACCOUNTS

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

### Quantitative Information about Fair Value Measurement of Surplus Assets using

|                                    | As at<br>31/03/2017<br>£'000 | Valuation<br>technique<br>used to<br>measure fair<br>value                       | Unobservable<br>inputs | Range<br>(weighted<br>average used)  | Sensitivity  |
|------------------------------------|------------------------------|--|------------------------|--------------------------------------|--|
| Long Lease @<br>Peppercorn<br>Rent | 1                            | Nominal<br>amount<br>adopted to<br>reflect<br>Council's<br>reversionary<br>value | N/A                    | N/A                                  | N/A - all £1,000   |
| City Centre                        | 9,927                        | Market<br>Approach   | Rents                  | Zone A £150 to<br>£1,000 per sq<br>m | Significant changes<br>in rent and yields<br>will result in<br>significantly lower or<br>higher fair value |
|                                    |                              |  | Yield                  | 4-8%                                 |  |
| Industrial Units                   | 2,207                        | Market<br>Approach   | Yield                  | 7-12%                                | Significant changes<br>in rent and yields<br>will result in<br>significantly lower or<br>higher fair value |
|                                    |                              |  | Rents                  | Various                              |  |
| Land Only                          | 44,582                       | Market<br>Approach   | Land Value<br>per acre | £350,000 to<br>£600,000 per<br>acre  | Significant changes<br>in rent and yields<br>will result in<br>significantly lower or<br>higher fair value |
| High Value                         | 260                          | Market<br>Approach   | Yield                  | Various                              | Significant changes<br>in rent and yields<br>will result in<br>significantly lower or<br>higher fair value |
|                                    |                              |  | Rents                  | Various                              |  |
| Miscellaneous                      | 14,204                       | Market<br>Approach   | Yield                  | 5-12%                                | Significant changes<br>in rent and yields<br>will result in<br>significantly lower or<br>higher fair value |
|                                    |                              |  | Rents                  | Various                              |  |
| <b>TOTAL</b>                       | <b>71,181</b>                |  |                        |                                      |  |

## NOTES TO THE ACCOUNTS

### Valuation Process for Surplus Assets

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

### 15. Heritage Assets

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

|  | Heritage Land,<br>Buildings &<br>Infrastructure | Art & Museums | Furniture, Fixtures<br>& Fittings | Other        | Total Assets  |
|--|---|---------------|-----------------------------------|--------------|---------------|
|  | £'000   | £'000         | £'000                             | £'000        | £'000         |
| <b>Cost or Valuation</b>   |   |               |                                   |              |               |
| At 1st April 2015  | 4,147   | 19,077        | 3,179                             | 1,566        | 27,969        |
| Additions (Cap Exp)  | 90  | 0             | 0                                 | 0            | 90            |
| Additions (Other)  | 0   | 0             | 0                                 | 12           | 12            |
| Revaluations   | 0   | 10            | 0                                 | 0            | 10            |
| Recognised in the<br>Surplus/Deficit on the<br>provision of services | -90   | 0             | 0                                 | 0            | -90           |
| Reclassification   | -10   | 0             | 0                                 | 0            | -10           |
| <b>At 31st March 2016</b>  | <b>4,137</b>                                    | <b>19,087</b> | <b>3,179</b>                      | <b>1,578</b> | <b>27,981</b> |

|   | £'000        | £'000         | £'000        | £'000        | £'000         |
|---|--------------|---------------|--------------|--------------|---------------|
| <b>Cost or Valuation</b>  |              |               |              |              |               |
| At 1st April 2016   | 4,137        | 19,087        | 3,179        | 1,578        | 27,981        |
| Additions (Cap Exp)   | 4            | 0             | 0            | 4            | 8             |
| Revaluations  | 0            | 2,037         | 0            | 0            | 2,037         |
| Recognised in the<br>Surplus/ Deficit on the<br>provision of services | -4           | 0             | -224         | -4           | -232          |
| <b>At 31st March 2017</b>   | <b>4,137</b> | <b>21,124</b> | <b>2,955</b> | <b>1,578</b> | <b>29,794</b> |

# NOTES TO THE ACCOUNTS

## Heritage Land, Buildings and Infrastructure

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

## Art & Museums

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

## Other

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

## 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.

| <b>2015/16</b>  | <b>2016/17</b> |
|---|----------------|
| <b>£'000</b>  | <b>£'000</b>   |
| 5,238 Rental income from investment property                    | 4,106          |
| -172 Direct operating expenses arising from investment property | -790           |
| 5,066 Net gain  | 3,316          |

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.

Following a review of property holdings a number of properties have been reclassified as surplus properties, other than as investment properties. Income is unaffected in overall terms but only investment property income is disclosed specifically and separately in this note. Accordingly, income disclosed here is lower than in 2015/16.

## NOTES TO THE ACCOUNTS

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

| <b>2015/16</b>  | <b>2016/17</b> |
|---|----------------|
| <b>£'000</b>  | <b>£'000</b>   |
| <b>128,242 Balance at start of the year</b>             | <b>75,253</b>  |
| Additions:  |                |
| 333 - Purchases   | 0              |
| 929 - Construction (Current)                            | 189            |
| -2,867 Disposals  | -104           |
| 2,035 Net gains/losses from fair value adjustments      | -510           |
| -52,135 Transfers to/from Property, Plant and Equipment | -34,453        |
| -1,284 Other changes                                    | 0              |
| <b>75,253 Balance at end of the year</b>                | <b>40,375</b>  |

Following professional consultation £34.2m of the £34.453m Investment Property assets have been reassessed and reclassified as Surplus Assets.

## 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 2017 and 31 March 2016 are as follows:

|  | Quoted prices in active markets for identical assets | Other significant observable inputs | Significant unobservable inputs | Fair value as at 31st March 2017 | Fair value reclassified from Investment Properties prior to 31st March 2017 | Fair value reclassified to Investment Properties prior to 31st March 2017 | Fair value adjusted prior to IFRS13 as at 31st March 2017 | Fair value adjusted prior to IFRS13 - Reclassified from Investment Properties prior to 31st March 2017 | Total Investment Property Value as at 31st March 2017 |              |               |               |
|--|--|-------------------------------------|---------------------------------|----------------------------------|---|---|---|--|---|--------------|---------------|---------------|
| Recurring fair value measurements using: | (Level 1)  | (Level 2)                           | (Level 3)                       |                                  | (Level 2)   | (Level 3)   | (Level 1)   | (Level 2)  | (Level 3)   |              |               |               |
|  | £'000  | £'000                               | £'000                           | £'000                            | £'000   | £'000   | £'000   | £'000  | £'000   | £'000        | £'000         | £'000         |
| Land only                                | 0  | 0                                   | 0                               | 0                                | 0   | 0   | 0   | 0  | 0   | 0            | 0             | 0             |
| Other                                    | 0  | 10,352                              | 16,398                          | 26,750                           | -10,352   | -16,398   | 0   | 0  | 0   | 3,539        | -3,539        | 0             |
| Enterprise Park                          | 0  | 10,930                              | 6,837                           | 17,767                           | 0   | 0   | 0   | 0  | 0   | 0            | 0             | 17,767        |
| High Value                               | 0  | 21,624                              | 1,198                           | 22,822                           | 0   | -214  | 0   | 0  | 0   | 0            | 0             | 22,608        |
| Right to Buy                             | 0  | 0                                   | 0                               | 0                                | 0   | 0   | 0   | 0  | 0   | 0            | 0             | 0             |
| Long Leases @ Peppercorn Rent            | 0  | 0                                   | 0                               | 0                                | 0   | 0   | 0   | 0  | 0   | 0            | 0             | 0             |
| Residential Freeholds (LRA)              | 0  | 0                                   | 0                               | 0                                | 0   | 0   | 0   | 0  | 0   | 0            | 0             | 0             |
| Industrial Units                         | 0  | 0                                   | 2,207                           | 2,207                            | 0   | -2,207  | 0   | 0  | 0   | 264          | -264          | 0             |
| Agricultural                             | 0  | 0                                   | 0                               | 0                                | 0   | 0   | 0   | 0  | 0   | 189          | -189          | 0             |
| Residential Shared %                     | 0  | 0                                   | 0                               | 0                                | 0   | 0   | 0   | 0  | 0   | 1,046        | -1,046        | 0             |
| <b>Total</b>                             | <b>0</b>   | <b>42,906</b>                       | <b>26,640</b>                   | <b>69,546</b>                    | <b>-10,352</b>  | <b>-18,819</b>  | <b>0</b>  | <b>0</b>   | <b>0</b>  | <b>5,038</b> | <b>-5,038</b> | <b>40,375</b> |

## NOTES TO THE ACCOUNTS

### 2015/16 Comparative Figures

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

## NOTES TO THE ACCOUNTS

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

#### Significant Observable Inputs - Level 2

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

#### Significant Unobservable Inputs - Level 3

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

#### Highest and Best Use of Surplus Assets

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

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

| Land only categorised within Level 3  | 31 March 2017<br>£'000 | 31 March 2016<br>£'000 |
|---|------------------------|------------------------|
| Opening balance   | 0                      | 43,133                 |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | 0                      | -829                   |
| Transfers to/from Property, Plant and Equipment   | 0                      | -42,304                |
| <b>Closing Balance</b>  | <b>0</b>               | <b>0</b>               |

| Other categorised within Level 3  | 31 March 2017<br>£'000 | 31 March 2016<br>£'000 |
|---|------------------------|------------------------|
| Opening balance   | 11,217                 | 10,930                 |
| Transfers In - Fair Value adjustment prior to IFRS13  | 4,549                  | 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 | 632                    | 287                    |
| Transfers to/from Property, Plant and Equipment   | -16,398                | 0                      |
| <b>Closing Balance</b>  | <b>0</b>               | <b>11,217</b>          |

## NOTES TO THE ACCOUNTS

| <b>Enterprise Park categorised within Level 3</b>   | <b>31 March<br/>2017<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Opening balance   | 642                                | 578                                |
| Transfers In - Fair Value Adjusted prior to IFRS13  | 5,976                              | 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 | 219                                | 64                                 |
| <b>Closing Balance</b>  | <b>6,837</b>                       | <b>642</b>                         |

| <b>High Value categorised within Level 3</b>  | <b>31 March<br/>2017<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Opening balance   | 1,218                              | 1,560                              |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | -20                                | -342                               |
| Transfers to/from Property, Plant and Equipment   | -214                               | 0                                  |
| <b>Closing Balance</b>  | <b>984</b>                         | <b>1,218</b>                       |

| <b>Residential Freehold (HRA) categorised within Level 3</b>  | <b>31 March<br/>2017<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Opening balance   | 0                                  | 26                                 |
| Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value | 0                                  | -13                                |
| Transfers to/from Property, Plant and Equipment   | 0                                  | -13                                |
| <b>Closing Balance</b>  | <b>0</b>                           | <b>0</b>                           |

| <b>Industrial Units categorised within Level 3</b>  | <b>31 March<br/>2017<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Opening balance   | 2,152                              | 2,374                              |
| Transfers In - Fair Value Adjusted prior to IFRS13  | 35                                 | 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 | 9                                  | 283                                |
| Transfers to/from Property, Plant and Equipment   | -2,207                             | -505                               |
| Addition  | 11                                 | 0                                  |
| <b>Closing Balance</b>  | <b>0</b>                           | <b>2,152</b>                       |

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



## NOTES TO THE ACCOUNTS

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

|                    | As at<br>31/03/2017<br>£'000 | Valuation<br>technique<br>used to<br>measure<br>fair value | Unobservable<br>inputs | Range<br>(weighted<br>average<br>used) | Sensitivity  |
|--------------------|------------------------------|--|------------------------|--|--|
| Enterprise<br>Park | 6,837                        | Market<br>Approach   | Yield                  | 8-12%                                  | Significant changes in<br>rents and yields will<br>result in significantly<br>lower or higher fair value |
|                    |                              |  | Rent                   | Various                                |  |
| High Value         | 984                          | Market<br>Approach   | Yield                  | Various                                | Significant changes in<br>rents and yields will<br>result in significantly<br>lower or higher fair value |
|                    |                              |  | Rent                   | Various                                |  |
| <b>TOTAL</b>       | <b>7,821</b>                 |  |                        |  |  |

### Valuation Process for Investment Properties

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

### 17. Intangible Assets

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

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

#### Purchased Licences

|                  |         |
|------------------|---------|
| Windows Licences | 3 years |
| Paris Software   | 5 years |
| Oracle Licences  | 6 years |

#### Other IT software

|                     |         |
|---------------------|---------|
| Payroll Development | 5 years |
|---------------------|---------|

## NOTES TO THE ACCOUNTS

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £244K was charged to revenue in 2016/17.

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

| 2015/16<br>£'000                                     | 2016/17<br>£'000  |
|--|-------------------|
| <b>Balance at start of year:</b>                     |                   |
| 4,753 - Gross carrying amounts                       | 4,975             |
| <u>-3,815 - Accumulated amortisation</u>             | <u>-4,475</u>     |
| <b>938 Net carrying amount at start of year</b>      | <b>500</b>        |
| Additions:   |                   |
| 222 - Purchases during year                          | 154               |
| 0 Revaluations increases or decreases                | -21               |
| -660 Amortisation for the period                     | -244              |
| 0 Surplus/Deficit on the provision of<br>services    | 11                |
| <u><b>500 Net carrying amount at end of year</b></u> | <u><b>400</b></u> |
| Comprising:  |                   |
| 4,975 - Gross carrying amounts                       | 5,108             |
| <u>-4,475 - Accumulated amortisation</u>             | <u>-4,708</u>     |
| <u>500</u>   | <u>400</u>        |

### 18. Financial Instruments

The notes on financial instruments on the following pages are the requirement of the code. IFRS requires for the restatement of nominal amounts for loans and investments to include for example the spread cost of premium / discounts and using equivalent interest rates instead of actual stepped interest rates in the case of 'amortised cost' and also the restatement of the nominal values of the loans and investments if they were to be refinanced in the market at 31st March 2017 in the 'fair value' disclosure.

# NOTES TO THE ACCOUNTS

## TYPES OF FINANCIAL INSTRUMENTS

**TABLE 1 – FINANCIAL INSTRUMENT BALANCES**

|   | Long-Term                   |                             | Short-Term                  |                             | Total                       |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | 31st March<br>2017<br>£'000 | 31st March<br>2016<br>£'000 | 31st March<br>2017<br>£'000 | 31st March<br>2016<br>£'000 | 31st March<br>2017<br>£'000 | 31st March<br>2016<br>£'000 |
| <b>Borrowings</b>                                     |                             |                             |                             |                             |                             |                             |
| Financial liabilities at amortised cost               | 415,281                     | 404,064                     | 37,831                      | 6,714                       | 453,112                     | 410,778                     |
| <b>Total included in Borrowings</b>                   | <b>415,281</b>              | <b>404,064</b>              | <b>37,831</b>               | <b>6,714</b>                | <b>453,112</b>              | <b>410,778</b>              |
| <b>Creditors</b>                                      |                             |                             |                             |                             |                             |                             |
| Financial liabilities carried at contract amount      | 2,359                       | 2,848                       | 45,500                      | 49,432                      | 47,859                      | 52,280                      |
| <b>Total included in Creditors</b>                    | <b>2,359</b>                | <b>2,848</b>                | <b>45,500</b>               | <b>49,432</b>               | <b>47,859</b>               | <b>52,280</b>               |
| <b>Investments</b>                                    |                             |                             |                             |                             |                             |                             |
| Loans and receivables                                 | 24                          | 24                          | 52,548                      | 31,811                      | 52,572                      | 31,835                      |
| Financial Assets at Fair Value through Profit or Loss | 0                           | 0                           | 0                           | 0                           | 0                           | 0                           |
| Unquoted equity investment at cost                    | 50                          | 50                          | 0                           | 0                           | 50                          | 50                          |
| <b>Total Investments</b>                              | <b>74</b>                   | <b>74</b>                   | <b>52,548</b>               | <b>31,811</b>               | <b>52,622</b>               | <b>31,885</b>               |
| <b>Debtors</b>  |                             |                             |                             |                             |                             |                             |
| Loans and receivables                                 | 0                           | 884                         | 0                           | 3,000                       | 0                           | 3,884                       |
| Financial assets carried at contract amount           | 2,615                       | 1,436                       | 45,774                      | 50,503                      | 48,389                      | 51,939                      |
| <b>Total Debtors</b>                                  | <b>2,615</b>                | <b>2,320</b>                | <b>45,774</b>               | <b>53,503</b>               | <b>48,389</b>               | <b>55,823</b>               |

Note - Lender Option / Borrower Option Loans (LOBO's) of £58m (2015/16 £40m) have been included in long term borrowing but have an option date in the next 12 months.

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

## NOTES TO THE ACCOUNTS

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

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

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

### **INCOME, EXPENSE, GAINS AND LOSSES**

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

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

| 2016/17   | Financial<br>Liabilities                                    | Financial Assets                  |   |                |
|---|---|-----------------------------------|---|----------------|
|   | Liabilities<br>measured<br>at<br>amortised<br>cost<br>£'000 | Loans and<br>receivables<br>£'000 | Fair value<br>through<br>profit or<br>loss<br>£'000 | Total<br>£'000 |
| Interest expense  | -20,443   | 0                                 | 0   | -20,443        |
| Losses on Derecognition   | 0   | 0                                 | 0   | 0              |
| Reductions in Fair Value  | 0   | 0                                 | 0   | 0              |
| Fee Expense   | 0   | 0                                 | 0   | 0              |
| <b>Total Expense in Surplus or Deficit<br/>on the Provision of Services</b> | <b>-20,443</b>  | <b>0</b>                          | <b>0</b>  | <b>-20,443</b> |

## NOTES TO THE ACCOUNTS

| 2016/17  | Financial<br>Liabilities                                    | Financial Assets                  |   |                |
|--|---|-----------------------------------|---|----------------|
|  | Liabilities<br>measured<br>at<br>amortised<br>cost<br>£'000 | Loans and<br>receivables<br>£'000 | Fair value<br>through<br>profit or<br>loss<br>£'000 | Total<br>£'000 |
| Interest income  | 0   | 420                               | 0   | 420            |
| Gains on Derecognition   | 0   | 0                                 | 0   | 0              |
| <b>Total Income in Surplus or<br/>Deficit on the Provision of<br/>Services</b> | <b>0</b>  | <b>420</b>                        | <b>0</b>  | <b>420</b>     |
| <b>Net (gain)/loss for the year</b>  | <b>-20,443</b>  | <b>420</b>                        | <b>0</b>  | <b>-20,023</b> |

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

## NOTES TO THE ACCOUNTS

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

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

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

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

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

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March 2017, using bid prices where applicable.

The calculations are made with the following assumptions:

- Estimated ranges of interest rates at 31 March 2017 of 0.83% to 2.6% for loans from the PWLB and 0.10% to 2.62% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed.
- The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

|                       | 31st March 2017 |            | 31st March 2016 |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying amount | Fair value | Carrying amount | Fair value |
|                       | £'000           | £'000      | £'000           | £'000      |
| Financial liabilities | 448,580         | 663,996    | 410,778         | 560,385    |
| Creditors             | 47,859          | 47,859     | 52,280          | 52,280     |

## **NOTES TO THE ACCOUNTS**

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

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

|                       | 31st March 2017 |            | 31st March 2016 |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying amount | Fair value | Carrying amount | Fair value |
|                       | £000s           | £000s      | £000s           | £000s      |
| Loans and receivables | 47,500          | 52,637     | 35,799          | 35,839     |
| Debtors               | 48,389          | 48,389     | 51,939          | 51,939     |

The fair value is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) attributable to the commitment to receive interest below current market rates.

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

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

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

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

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

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

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

## NOTES TO THE ACCOUNTS

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

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

The Authority's maximum exposure to credit risk to financial institutions of £39m cannot be assessed generally as risks are specific to each institution. The risk of irrecoverability applies to all investments, however there was no evidence at 31/3/17 that this was likely to crystallise.

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

**TABLE 5 – CREDIT RISK (A)**

|                            | Amounts<br>at 31<br>March<br>2017<br>£'000 | Historical<br>experience<br>of default<br>31 March<br>2017<br>% | Historical<br>experience<br>adjusted for<br>market<br>conditions as<br>at 31 March<br>2017<br>% | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectability<br>31 March 2017<br>£'000 | Estimated<br>maximum<br>exposure 31<br>March 2016<br>£'000 |
|----------------------------|--|---|---|--|--|
| Bonds and other securities | 0  | 0.00  | 0.00  | 0  | 0  |
| Customers                  | 50,159                                     | 10.55%  | 13.99%  | 6,862  | 6,323  |
| <b>Total</b>               | <b>50,159</b>                              | <b>0.00</b>   | <b>0.00</b>   | <b>6,862</b>   | <b>6,323</b>   |

The Authority does not generally allow credit for customers such that £12.85m of the £50.1m balance is past its due date for payment. The amount can be analysed as follows -

|                    | 31-Mar-17     | 31-Mar-16     |
|--------------------|---------------|---------------|
| less than 3 months | 8,426         | 8,123         |
| 3 to 6 months      | 1,171         | 82            |
| 6 months to 1 year | 1,200         | 1,100         |
| more than 1 year   | 2,048         | 1,759         |
|                    | <b>12,845</b> | <b>11,064</b> |



## **NOTES TO THE ACCOUNTS**

### **2. Liquidity Risk**

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

The maturity structure of financial liabilities at nominal value is as follows (liability figure per Table 1 includes accrued interest on PWLB and LOBOs of £5,493k (prior year £6,582k):

**TABLE 6 – LIQUIDITY RISK**

| <b>On 31 March 2016</b> | <b>Loans outstanding</b> | <b>On 31 March 2017</b> |
|-------------------------|--------------------------|-------------------------|
| <b>£'000</b>            |                          | <b>£'000</b>            |
| 50,778                  | Less than 1 year         | 69,122                  |
| 11,850                  | Between 1 and 2 years    | 9,002                   |
| 3,003                   | Between 2 and 5 years    | 3,003                   |
| 7,001                   | Between 5 and 10 years   | 9,000                   |
| 383,850                 | More than 10 years       | 405,351                 |
| <b>456,482</b>          | <b>Total</b>             | <b>495,478</b>          |

In the more than 10 years category there are £58m (31 March 2016 £40m) of LOBOs which have a call date in the next 12 months.

### **3. Market Risk**

#### Interest rate risk

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

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

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

## NOTES TO THE ACCOUNTS

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

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

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher than market rate with all other variables held constant, the financial effect would be:

| <b>TABLE 7 – INTEREST RATE RISK</b>  | <b>2015/16</b> | <b>2016/17</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Increase in interest payable on variable rate borrowings   | 400            | 580            |
| Increase in interest receivable on variable rate investments   | 0              | 0              |
| Increase in government grant receivable for financing costs  | 0              | 0              |
| <b>Impact on Surplus or Deficit on the Provision of Services</b>   | <b>400</b>     | <b>580</b>     |
| <b>Share of overall impact debited to the Housing Revenue Account</b>  | <b>140</b>     | <b>180</b>     |
| <br>   |                |                |
| Decrease in fair value of fixed rate investment assets   | 44             | 422            |
| <b>Impact on Other Comprehensive Income and Expenditure</b>  | <b>44</b>      | <b>422</b>     |
| <br>   |                |                |
| 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) | 88,550         | 106,848        |

### Foreign Exchange Risk

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

### Price Risk

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

## NOTES TO THE ACCOUNTS

### Financial Instruments Adjustment Account

| 31/03/2016  | 31/03/2017           |
|---|----------------------|
| £'000   | £'000                |
| -1,537 Balance brought forward                          | -2,160               |
| 119 PWLB Premia amortisation                            | 120                  |
| -222 PWLB Discounts amortisation                        | -119                 |
| -514 LOBO equivalent interest rate amortisation         | 11                   |
| -6 Notional advances right to buy sales                 | -67                  |
| <b><u>-2,160</u> Published Balance as at 31st March</b> | <b><u>-2,215</u></b> |

### Analysis of Borrowing

| 31/03/2016 Sources of borrowing                        | 31/03/2017            |
|--|-----------------------|
| £'000  | £'000                 |
| 304,851 Public Works Loan Board                        | 314,073               |
| 99,213 Money market                                    | 99,208                |
| 0 Other  | 2,000                 |
| <b>404,064 Total borrowing greater than one year</b>   | <b>415,281</b>        |
| 1 Stock issues   | 1                     |
| 5,254 Public Works Loans Board                         | 14,101                |
| 400 Money market                                       | 405                   |
| 4 Local bonds & internal mortgages                     | 4                     |
| 1,055 Temporary loans                                  | 23,320                |
| <b><u>6,714</u> Total borrowing less than one year</b> | <b><u>37,831</u></b>  |
| <b><u>410,778</u></b>                                  | <b><u>453,112</u></b> |

### Maturity dates for the repayment of loans

| 31/03/2016                         | 31/03/2017            |
|------------------------------------|-----------------------|
| £'000                              | £'000                 |
| 6,423 Temporary loans up to 1 year | 28,826                |
| Long term debt maturing within:-   |                       |
| 291 1 year                         | 9,004                 |
| 9,002 1 - 2 years                  | 0                     |
| 3,003 2 – 5 years                  | 3,003                 |
| 7,001 5 -10 years                  | 19,000                |
| 385,058 Over 10 years              | 393,279               |
| <b><u>410,778</u></b>              | <b><u>453,112</u></b> |

## NOTES TO THE ACCOUNTS

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

| 31 March 2017                               |   |  |                                       |                |
|---|---|--|---------------------------------------|----------------|
|   | Quoted prices<br>in active<br>markets for<br>identical assets | Other<br>significant<br>observable<br>inputs | Significant<br>unobservable<br>inputs |                |
| Recurring fair value<br>measurements using: | (Level 1)<br>£'000  | (Level 2)<br>£'000                           | (Level 3)<br>£'000                    | Total<br>£'000 |
| <b>Financial assets</b>                     |   |  |                                       |                |
| <i>Loans and receivables:</i>               |   |  |                                       |                |
| Other loans and<br>receivables              | 0   | 1,770  | 0                                     | 1,770          |
| <b>Total</b>                                | <b>0</b>  | <b>1,770</b>                                 | <b>0</b>                              | <b>1,770</b>   |

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

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

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

| Financial Assets   | Financial liabilities   |
|--|---|
| - no early repayment or impairment is recognised   | - no early repayment is recognised  |
| - estimated ranges of interest rates at 31 March 2017 of 0.10% to 0.55% for loans receivable, based on new lending rates for equivalent loans at that date | - estimated ranges of interest rates at 31 March 2017 of 0.83% to 2.6% 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

### 19. Short Term Debtors

| Authority     |               | Group |                                       | Authority     |               | Group |  |
|---------------|---------------|-------|---------------------------------------|---------------|---------------|-------|--|
| 31st March    | 31st March    |       |                                       | 31st March    | 31st March    |       |  |
| 2016          | 2016          |       |                                       | 2017          | 2017          |       |  |
| £'000         | £'000         |       |                                       | £'000         | £'000         |       |  |
| 35,536        | 35,536        |       | Central government bodies             | 24,894        | 24,894        |       |  |
| 2,589         | 2,589         |       | Other local authorities               | 3,195         | 3,195         |       |  |
| 1,681         | 1,681         |       | NHS bodies                            | 5,112         | 5,112         |       |  |
| 3             | 3             |       | Public corporations and trading funds | 2             | 2             |       |  |
| 25,839        | 25,839        |       | Other entities and individuals        | 25,343        | 25,344        |       |  |
| 1,665         | 1,665         |       | Payments In Advance                   | 1,259         | 1,259         |       |  |
| -13,148       | -13,148       |       | Provision for doubtful debts          | -13,359       | -13,359       |       |  |
| <b>54,165</b> | <b>54,165</b> |       | <b>Total</b>                          | <b>46,446</b> | <b>46,447</b> |       |  |

### 20. Cash and Cash Equivalents

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

| Authority     |               | Group |  | Authority     |               | Group |  |
|---------------|---------------|-------|--|---------------|---------------|-------|--|
| 31st March    | 31st March    |       |  | 31st March    | 31st March    |       |  |
| 2016          | 2016          |       |  | 2017          | 2017          |       |  |
| £'000         | £'000         |       |  | £'000         | £'000         |       |  |
| 391           | 391           |       | Cash held by the Authority             | -236          | -236          |       |  |
| 36,662        | 36,673        |       | Bank current accounts                  | 30,374        | 30,405        |       |  |
| <b>37,053</b> | <b>37,064</b> |       | <b>Total Cash and Cash Equivalents</b> | <b>30,138</b> | <b>30,169</b> |       |  |

### 21. Assets Held for Sale

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

| 2015/16      |  |  | 2016/17      |
|--------------|--|--|--------------|
| £'000        |  |  | £'000        |
| 5,124        |  | Balance outstanding at start of year     | 3,422        |
| 58           |  | Revaluation gains/losses                 | -36          |
| -961         |  | Assets classified to/from held for sale: | 1,695        |
| -799         |  | Assets sold                              | -2,102       |
| <b>3,422</b> |  | <b>Balance outstanding at year end</b>   | <b>2,979</b> |

### 22. Short Term Creditors

| Authority     |               | Group |                                       | Authority     |               | Group |  |
|---------------|---------------|-------|---------------------------------------|---------------|---------------|-------|--|
| 31st March    | 31st March    |       |                                       | 31st March    | 31st March    |       |  |
| 2016          | 2016          |       |                                       | 2017          | 2017          |       |  |
| £'000         | £'000         |       |                                       | £'000         | £'000         |       |  |
| 7,199         | 7,199         |       | Central government bodies             | 8,206         | 8,206         |       |  |
| 2,884         | 2,884         |       | Other local authorities               | 2,068         | 2,068         |       |  |
| 446           | 446           |       | NHS bodies                            | 300           | 300           |       |  |
| 262           | 262           |       | Public corporations and trading funds | 20            | 20            |       |  |
| 38,641        | 38,641        |       | Other entities and individuals        | 34,305        | 34,305        |       |  |
| 6,586         | 6,576         |       | Receipts In Advance                   | 7,209         | 7,209         |       |  |
| <b>56,018</b> | <b>56,008</b> |       | <b>Total</b>                          | <b>52,108</b> | <b>52,108</b> |       |  |

## NOTES TO THE ACCOUNTS

### 23. Provisions

#### Short - term

|                                       | Outstanding<br>Legal Cases<br>£'000 | Injury and<br>Damage<br>Compensation<br>Claims<br>£'000 | Employee<br>Benefits<br>£'000 | Other<br>Provisions<br>£'000 | Total<br>£'000 |
|---------------------------------------|-------------------------------------|---|-------------------------------|------------------------------|----------------|
| <b>Balance at 1 April 2016</b>        | 142                                 | 2,106   | 2,645                         | 1,302                        | 6,195          |
| Additional provisions made in 2016/17 | 0                                   | 807   | 4,622                         | 869                          | 6,298          |
| Amounts used in 2016/17               | -87                                 | -3,064  | -7,209                        | -653                         | -11,013        |
| Unused amounts reversed in 2016/17    | 0                                   | 0   | 0                             | -10                          | -10            |
| Transfer from long term to short term | 0                                   | 1,752   | 0                             | 0                            | 1,752          |
| <b>Balance at 31 March 2017</b>       | <b>55</b>                           | <b>1,601</b>  | <b>58</b>                     | <b>1,508</b>                 | <b>3,222</b>   |

#### Long - term

|                                       | Outstanding<br>Legal Cases<br>£'000 | Injury and<br>Damage<br>Compensation<br>Claims<br>£'000 | Employee<br>Benefits<br>£'000 | Other<br>Provisions<br>£'000 | Total<br>£'000 |
|---------------------------------------|-------------------------------------|---|-------------------------------|------------------------------|----------------|
| <b>Balance at 1 April 2016</b>        | 0                                   | 4,198   | 14                            | 8,561                        | 12,773         |
| Additional provisions made in 2016/17 | 0                                   | 1,190   | 0                             | 35                           | 1,225          |
| Amounts used in 2016/17               | 0                                   | 0   | 0                             | -1,407                       | -1,407         |
| Unused amounts reversed in 2016/17    | 0                                   | 0   | 0                             | 0                            | 0              |
| Transfer from long term to short term | 0                                   | -1,752  | 0                             | 0                            | -1,752         |
| <b>Balance at 31 March 2017</b>       | <b>0</b>                            | <b>3,636</b>  | <b>14</b>                     | <b>7,189</b>                 | <b>10,839</b>  |

#### **Outstanding Legal Cases**

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

# NOTES TO THE ACCOUNTS

## Injury and Damage Compensation Claims

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

## Employee Benefits

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

## Other Provisions

These amounts are to cover a variety of potential liabilities including land compensation claims following compulsory purchase, potential sums arising out of grant reclaims and obsolete stock. Other provisions include a significant capital provision (£5.791m) for the future remediation and maintenance of major land refuse disposal sites. Of the £5.791m, £3.008m is likely to be settled with the next ten years and the remaining £2.783m over the next forty years.

## 24. Unusable Reserves

| 31st March<br>2016<br>£'000                     | 31st March<br>2017<br>£'000 |
|---|-----------------------------|
| 475,796 Revaluation Reserve                     | 454,146                     |
| 488,156 Capital Adjustment Account              | 521,269                     |
| -2,160 Financial Instruments Adjustment Account | -2,215                      |
| -569,640 Pensions Reserve                       | -679,092                    |
| -9,906 Accumulated Absences Account             | -8,562                      |
| <b>382,246 Total Unusable Reserves</b>          | <b>285,546</b>              |

## Revaluation Reserve

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

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

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

## NOTES TO THE ACCOUNTS

| 2015/16<br>£'000  | 2016/17<br>£'000 |
|---|------------------|
| <b>325,265</b> Balance at 1st April   | <b>475,796</b>   |
| Upward revaluation of assets -  |                  |
| 218,744 Cost  | 19,963           |
| 6,650 Depreciation  | 24,867           |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services -    |                  |
| -50,178 Cost  | -51,936          |
| 2,588 Depreciation  | 2,411            |
| 177,804   | -4,695           |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services |                  |
| -26,347   | -16,615          |
| Difference between fair value depreciation and historical cost depreciation   |                  |
| -926 Accumulated gains on assets sold or scrapped   | -329             |
| 0 Transfer of Investment Property Revaluation Reserve   | -11              |
| -27,273   | -16,955          |
| Amount written off to the Capital Adjustment Account  |                  |
| <b>475,796</b>  | <b>454,146</b>   |
| <b>Balance at 31st March</b>  |                  |

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or subsequent costs of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and 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 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



## NOTES TO THE ACCOUNTS

| 2015/16         |  | 2016/17        |
|-----------------|--|----------------|
| £'000           |  | £'000          |
| <b>535,261</b>  | <b>Balance at 1st April</b>  | <b>488,156</b> |
|                 | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                             |                |
| -75,850         | Charges for depreciation and impairment of non-current assets  | -46,420        |
| -8,955          | Revaluation losses on Property, Plant and Equipment  | -6,330         |
| -660            | Amortisation of intangible assets  | -244           |
| -8,514          | Revenue expenditure funded from capital under statute (REFCUS)   | -11,765        |
| -73,580         | HRA Exit Subsidy   | 0              |
| -4,626          | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | -3,546         |
| <u>-172,185</u> |  | <u>-68,305</u> |
| 27,273          | Adjusting amounts written out of the Revaluation Reserve   | 16,955         |
| <u>-144,912</u> | Net written out amount of the cost of non-current assets consumed in the year  | <u>-51,350</u> |
|                 | Capital financing applied in the year:   |                |
| 12,902          | Use of the Capital Receipts Reserve to finance new capital expenditure   | 5,793          |
| 39,761          | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | 32,941         |
| 16,322          | Statutory provision for the financing of the capital investment charged against the General Fund and HRA balances  | 13,859         |
| 26,787          | Capital expenditure charged against the HRA and General Fund balances  | 32,380         |
| <u>95,772</u>   |  | <u>84,973</u>  |

## NOTES TO THE ACCOUNTS

| 2015/16  | 2016/17        |
|--|----------------|
| £'000  | £'000          |
| 2,035 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | -510           |
| <b>488,156</b> Balance at 31st March   | <b>521,269</b> |

### Financial Instruments Adjustment Account

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

| 2015/16  | 2016/17       |
|--|---------------|
| £'000  | £'000         |
| <b>-1,537</b> Balance at 1st April   | <b>-2,160</b> |
| Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement  |               |
| -103 Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements  | 1             |
| -520 Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | -56           |
| <b>-2,160</b> Balance at 31st March  | <b>-2,215</b> |

## NOTES TO THE ACCOUNTS

### Pensions Reserve

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

| <b>2015/16</b>   | <b>2016/17</b>  |
|--|-----------------|
| <b>£'000</b>   | <b>£'000</b>    |
| <b>-569,890 Balance at 1st April</b>   | <b>-569,640</b> |
| 18,670 Remeasurements of the net defined benefit liability/(asset)   | -89,390         |
| -57,060 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 | -58,220         |
| -2,200 Past service cost adjustment  | -2,670          |
| 40,840 Employer's pensions contributions and direct payments to pensioners payable in the year   | 40,828          |
| <b>-569,640 Balance at 31st March</b>  | <b>-679,092</b> |

## NOTES TO THE ACCOUNTS

### Accumulated Absences Account

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

| <b>2015/16</b>   | <b>2016/17</b> |
|--|----------------|
| <b>£'000</b>   | <b>£'000</b>   |
| <b>-8,731 Balance at 1st April</b>   | <b>-9,906</b>  |
| 8,731 Settlement or cancellation of accrual made at the end of the preceding year  | 9,906          |
| -9,906 Amounts accrued at the end of the current year  | -8,562         |
| -1,175 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 1,344          |
| <b>-9,906 Balance at 31st March</b>  | <b>-8,562</b>  |

### 25. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| <b>2015/16</b>        | <b>2016/17</b> |
|-----------------------|----------------|
| <b>£'000</b>          | <b>£'000</b>   |
| 349 Interest received | 358            |
| -20,417 Interest paid | -20,419        |
| <b>-20,068</b>        | <b>-20,061</b> |

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

| <b>Authority</b> | <b>Group</b>   |                                      | <b>Authority</b> | <b>Group</b>   |
|------------------|----------------|--------------------------------------|------------------|----------------|
| <b>2015/16</b>   | <b>2015/16</b> |                                      | <b>2016/17</b>   | <b>2016/17</b> |
| <b>£'000</b>     | <b>£'000</b>   |                                      | <b>£'000</b>     | <b>£'000</b>   |
| 84,805           | 84,805         | Depreciation                         | 52,750           | 52,750         |
| -2,035           | -2,035         | Impairment and downward revaluations | 510              | 510            |
| 660              | 660            | Amortisation                         | 244              | 244            |
| -6,774           | -6,774         | Increase/(decrease) in creditors     | -5,561           | -5,561         |
| 8,972            | 8,972          | Increase in debtors                  | 9,001            | 9,001          |
| 186              | 186            | (Increase)/decrease in inventories   | -137             | -137           |
| 18,420           | 18,420         | Movement in pension liability        | 20,062           | 20,062         |

## NOTES TO THE ACCOUNTS

| Authority<br>2015/16<br>£'000 | Group<br>2015/16<br>£'000 |   | Authority<br>2016/17<br>£'000 | Group<br>2016/17<br>£'000 |
|-------------------------------|---------------------------|---|-------------------------------|---------------------------|
| -4,626                        | -4,626                    | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | -3,546                        | -3,546                    |
| -15,615                       | -15,615                   | Other non-cash items charged to the net surplus or deficit on the provision of services           | -1,091                        | -1,091                    |
| <b>83,993</b>                 | <b>83,993</b>             |   | <b>72,232</b>                 | <b>72,232</b>             |

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

| 2015/16<br>£'000 |  | 2016/17<br>£'000 |
|------------------|--|------------------|
| -38,078          | Any other items for which the cash effects are investing or financing cash flows | -29,118          |
| <b>-38,078</b>   |  | <b>-29,118</b>   |

### 26. Cash Flow Statement - Investing Activities

| 2015/16<br>£'000 |  | 2016/17<br>£'000 |
|------------------|--|------------------|
| -80,194          | Purchase of property, plant and equipment, investment property and intangible assets               | -90,795          |
| -758,739         | Purchase of long and short term investments  | -88,459          |
| 7,864            | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 3,988            |
| 753,355          | Proceeds from short-term and long-term investments   | 67,722           |
| 38,078           | Other receipts from investing activities   | 29,118           |
| <b>-39,636</b>   | <b>Net cash flows from investing activities</b>  | <b>-78,426</b>   |

### 27. Cash Flow Statement - Financing Activities

| 2015/16<br>£'000 |   | 2016/17<br>£'000 |
|------------------|---|------------------|
| 105,759          | Cash receipts of short and long-term borrowing  | 49,063           |
| -13,119          | Repayments of short and long-term borrowing     | -6,729           |
| <b>92,640</b>    | <b>Net cash flows from financing activities</b> | <b>42,334</b>    |

## NOTES TO THE ACCOUNTS

### 28. 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.

#### 2016/17

|   | Turnover<br>£'000 | Expenditure<br>£'000 | Surplus/- Deficit<br>£'000 |
|---|-------------------|----------------------|----------------------------|
| Council Car Parks                       | 4,495             | 2,570                | 1,925                      |
| Grand Theatre                           | 3,393             | 4,640                | -1,247                     |
| Indoor Market                           | 1,146             | 731                  | 415                        |
| Council Catering including school meals | 6,978             | 7,033                | -55                        |
| Trade Waste                             | 2,444             | 1,961                | 483                        |
| Swansea Marina                          | 260               | 372                  | -112                       |
|   | 18,716            | 17,307               | 1,409                      |

#### Restated 2015/16

|   | Turnover<br>£'000 | Expenditure<br>£'000 | Surplus/- Deficit<br>£'000 |
|---|-------------------|----------------------|----------------------------|
| Council Car Parks                       | 4,346             | 2,192                | 2,154                      |
| Grand Theatre                           | 3,241             | 4,461                | -1,220                     |
| Indoor Market                           | 1,129             | 3,448                | -2,319                     |
| Council Catering including school meals | 6,572             | 6,542                | 30                         |
| Trade Waste                             | 2,472             | 2,117                | 355                        |
| Swansea Marina                          | 267               | 249                  | 18                         |
|   | 18,027            | 19,009               | -982                       |

The 2016/17 CIPFA Code has introduced the requirement for Local Authorities to report their service segments based on the way the Authority operates and manages services. This requirement means that service segments are no longer based on total cost. Therefore there is no longer a requirement to apportion support service overheads to services. As a result of this change, the 2015/16 figures for trading operations have been restated to remove the reallocation of support service overheads.

### 29. Members' Allowances

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

|              | 2015/16<br>£'000 | 2016/17<br>£'000 |
|--------------|------------------|------------------|
| Allowances   | 1,290            | 1,441            |
| Expenses     | 10               | 14               |
| <b>Total</b> | <b>1,300</b>     | <b>1,455</b>     |

## NOTES TO THE ACCOUNTS

### 30. 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 - 2016/17**

|   | Remuneration<br>(including<br>Fees &<br>Allowances) | * Expense<br>Allowances | Compensation<br>for loss of<br>office | Total<br>remuneration<br>excluding<br>pension<br>contributions | Pension<br>contributions<br>(22.4%) | Total<br>remuneration<br>including<br>pension<br>contributions |
|---|---|-------------------------|---------------------------------------|--|-------------------------------------|--|
|   | £   | £                       | £                                     | £  | £                                   | £  |
| Chief Executive (a)                                     | 23,792  | 0                       | 0                                     | 23,792   | 0                                   | 23,792   |
| Director Place (b)                                      | 9,258   | 0                       | 0                                     | 9,258  | 2,074                               | 11,332   |
| Chief Executive (c)                                     | 129,617   | 0                       | 0                                     | 129,617  | 29,034                              | 158,651  |
| Director Corporate Services (d)                         | 13,738  | 0                       | 0                                     | 13,738   | 3,077                               | 16,815   |
| Director People   | 103,525   | 0                       | 0                                     | 103,525  | 23,190                              | 126,715  |
| Chief Operating Officer (e)                             | 8,156   | 0                       | 0                                     | 8,156  | 1,827                               | 9,983  |
| Director Place (f)                                      | 90,225  | 0                       | 0                                     | 90,225   | 20,096                              | 110,321  |
| Chief Education Officer (g)                             | 95,875  | 0                       | 0                                     | 95,875   | 20,657                              | 116,532  |
| Head of Legal and Democratic Services (h)               | 55,261  | 0                       | 48,967                                | 104,228  | 9,201                               | 113,429  |
| Head of Education Planning and Resources                | 72,114  | 0                       | 0                                     | 72,114   | 16,154                              | 88,268   |
| Head of Housing & Public Protection                     | 81,947  | 0                       | 0                                     | 81,947   | 18,356                              | 100,303  |
| Head of Planning & City Regeneration                    | 82,416  | 0                       | 0                                     | 82,416   | 18,461                              | 100,877  |
| Head of Communications & Customer<br>Engagement         | 72,114  | 0                       | 0                                     | 72,114   | 16,154                              | 88,268   |
| Head of Human Resources & Organisational<br>Development | 72,313  | 0                       | 0                                     | 72,313   | 16,154                              | 88,467   |
| Head of Finance and Delivery (i)                        | 6,181   | 0                       | 0                                     | 6,181  | 1,385                               | 7,566  |
| Director Resources (j)                                  | 95,761  | 0                       | 0                                     | 95,761   | 21,450                              | 117,211  |
| Head of Poverty & Prevention (k)                        | 19,039  | 0                       | 0                                     | 19,039   | 4,265                               | 23,304   |
| Interim Head of Poverty & Prevention (l)                | 14,013  | 0                       | 0                                     | 14,013   | 3,139                               | 17,152   |
| Head of Poverty & Prevention (m)                        | 33,121  | 0                       | 0                                     | 33,121   | 7,419                               | 40,540   |
| Head of Waste Management & Parks                        | 82,416  | 0                       | 0                                     | 82,416   | 18,461                              | 100,877  |
| <b>Balance c/f</b>                                      | <b>1,160,882</b>                                    | <b>0</b>                | <b>48,967</b>                         | <b>1,209,849</b>   | <b>250,554</b>                      | <b>1,460,403</b>   |

## NOTES TO THE ACCOUNTS

**Table 1 - 2016/17 continued**

| Post title   | Remuneration<br>(including Fees<br>& Allowances) | * Expense<br>Allowances | Compensation<br>for loss of<br>office | Total<br>remuneration<br>excluding<br>pension<br>contributions | Pension<br>contributions<br>(22.4%) | Total<br>remuneration<br>including<br>pension<br>contributions |
|--|--|-------------------------|---------------------------------------|--|-------------------------------------|--|
|  | £  | £                       | £                                     | £  | £                                   | £  |
| <b>Balance b/f</b>                                   | <b>1,160,882</b>                                 | <b>0</b>                | <b>48,967</b>                         | <b>1,209,849</b>   | <b>250,554</b>                      | <b>1,460,403</b>   |
| Head of Cultural Services                            | 77,265   | 0                       | 0                                     | 77,265   | 17,307                              | 94,572   |
| Head of Education Improvement (n)                    | 84,966   | 0                       | 0                                     | 84,966   | 19,032                              | 103,998  |
| Head of Information & Business<br>Change (o)         | 13,908   | 0                       | 0                                     | 13,908   | 3,115                               | 17,023   |
| Interim Chief Transformation Officer<br>(p)          | 16,306   | 0                       | 0                                     | 16,306   | 3,653                               | 19,959   |
| Head of Highways and<br>Transportation               | 82,728   | 0                       | 0                                     | 82,728   | 18,461                              | 101,189  |
| Interim Chief Social Services Officer<br>(q)         | 12,628   | 0                       | 0                                     | 12,628   | 2,829                               | 15,457   |
| Chief Social Services Officer (r)                    | 85,241   | 0                       | 0                                     | 85,241   | 19,094                              | 104,335  |
| Interim Head of Child and Family                     | 17,461   | 0                       | 0                                     | 17,461   | 3,911                               | 21,372   |
| Head of Child and Family Services<br>(t)             | 53,982   | 0                       | 0                                     | 53,982   | 12,092                              | 66,074   |
| Head of Adult Services                               | 69,539   | 0                       | 0                                     | 69,539   | 15,577                              | 85,116   |
| Head of Commercial Services                          | 72,114   | 0                       | 0                                     | 72,114   | 16,154                              | 88,268   |
| Head of Learner Support Services<br>(u)              | 71,540   | 0                       | 0                                     | 71,540   | 16,025                              | 87,565   |
| Chief Education Officer (v)                          | 2,991  | 0                       | 0                                     | 2,991  | 670                                 | 3,661  |
| Interim Head of Legal and<br>Democratic Services (w) | 38,539   | 0                       | 0                                     | 38,539   | 8,561                               | 47,100   |
| Chief Social Services Officer (x)                    | 7,582  | 0                       | 15,016                                | 22,598   | 1,182                               | 23,780   |
| Chief Transformation Officer (y)                     | 49,627   | 0                       | 0                                     | 49,627   | 11,116                              | 60,743   |
| <b>Total</b>   | <b>1,917,299</b>                                 | <b>0</b>                | <b>63,983</b>                         | <b>1,981,282</b>   | <b>419,333</b>                      | <b>2,400,615</b>   |



## NOTES TO THE ACCOUNTS

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

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

- (a) The Chief Executive retired on 31st May 2016.
- (b) The Director of Place is the Chief Executive since 1st June 2016.
- (c) The Chief Executive formally commenced on 1st June 2016 but was remunerated from 1st May in a one month handover period prior approved by Council decision.
- (d) The Director of Corporate Services left the Authority on 15th May 2016.
- (e) The Chief Operating Officer is the Director of Place since 1st June 2016.
- (f) The Director of Place commenced on 1st June 2016.
- (g) The Chief Education Officer left the Authority on 19th March 2017.
- (h) The Head of Legal and Democratic Services left the Authority on 30th September 2016.
- (i) The Head of Finance and Delivery is the Director of Resources since 28th April 2016.
- (j) The Director of Resources commenced on 28th April 2016.
- (k) The Head of Poverty and Prevention left the Authority on 17th July 2016.
- (l) There was an Interim Head of Poverty & Prevention from 4th July 2016 until 2nd October 2016.
- (m) The Head of Poverty and Prevention commenced on 3rd October 2016.
- (n) The Head of Education Improvement is a joint post with Neath Port Talbot County Borough Council as part of the ERW academic regional consortium.
- (o) The Head of Information & Business Change is the Interim Chief Transformation Officer since 13th June 2016.
- (p) The Interim Chief Transformation Officer commenced on 13th June 2016. The Interim Chief Transformation Officer is the Chief Transformation Officer since 25th August 2016.
- (q) The Interim Chief Social Services Officer is the Chief Social Services Officer since 18th May 2016.
- (r) The Chief Social Services Officer commenced on 18th May 2016.
- (s) The Interim Head of Child and Family Services is the Head of Child and Family Services since 5th July 2016.
- (t) The Head of Child and Family Services commenced on 5th July 2016.
- (u) The Head of Learner and Support Service is the Chief Education Officer since 20th March 2017.
- (v) The Chief Education Officer commenced on 20th March 2017.
- (w) The Interim Head of Legal and Democratic Services commenced on 3rd October 2016.
- (x) The Chief Social Services Officer left the Authority on 30th April 2016.
- (y) The Chief Transformation Officer commenced on 25th August 2016.

## 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 - 2015/16**

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

## NOTES TO THE ACCOUNTS

**Table 1 - 2015/16 continued**

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

## NOTES TO THE ACCOUNTS

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

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

## NOTES TO THE ACCOUNTS

(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:

| 2015/16<br>Number of<br>employees | Remuneration Band   | 2016/17<br>Number of<br>employees |
|-----------------------------------|---------------------|-----------------------------------|
| 37                                | £60,000 - £64,999   | 32                                |
| 22                                | £65,000 - £69,999   | 30                                |
| 9                                 | £70,000 - £74,999   | 14                                |
| 1                                 | £75,000 - £79,999   | 9                                 |
| 7                                 | £80,000 - £84,999   | 9                                 |
| 4                                 | £85,000 - £89,999   | 6                                 |
| 3                                 | £90,000 - £94,999   | 2                                 |
| 0                                 | £95,000 - £99,999   | 1                                 |
| 1                                 | £100,000 - £104,999 | 1                                 |
| 0                                 | £105,000 - £109,999 | 1                                 |
| 0                                 | £110,000 - £114,999 | 1                                 |
| 1                                 | £115,000 - £119,999 | 0                                 |
| 1                                 | £120,000 - £124,999 | 1                                 |
| <hr/> <hr/> <b>86</b>             | Total               | <hr/> <hr/> <b>107</b>            |

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

The numbers shown relate to Authority employees which predominantly include teaching staff. Senior Officers' remunerations are shown in the tables on pages 110 to 115.

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 2016/17 the remuneration of the Chief Executive was £140k (2015/16 £140k). This was 6.3 times (2015/16 6.4 times) the median remuneration of the organisation, which was £22,147 (2015/16 £21,783).

## 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:

### 2015/16

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

### 2016/17

| Exit package cost band (including special payments) | Number of Compulsory Redundancies | Number of other departures agreed | Total number of exit packages by cost band | Total cost of exit packages in each band | £'000        |
|---|-----------------------------------|-----------------------------------|--|--|--------------|
| £0 - £20,000  | 7                                 | 148                               | 155  |  | 1,230        |
| £20,001 - £40,000                                   | 0                                 | 64                                | 64   |  | 1,848        |
| £40,001 - £60,000                                   | 0                                 | 20                                | 20   |  | 970          |
| £60,001 - £80,000                                   | 0                                 | 17                                | 17   |  | 1,189        |
| £80,001 - £100,000                                  | 0                                 | 7                                 | 7  |  | 632          |
| £100,001 - £150,000                                 | 0                                 | 14                                | 14   |  | 1,657        |
| £150,001 - £200,000                                 | 0                                 | 2                                 | 2  |  | 309          |
| <b>Total</b>  | <b>7</b>                          | <b>272</b>                        | <b>279</b>                                 |  | <b>7,835</b> |

The average payback period against all early retirement / voluntary redundancy packages agreed for 2016/17 is less than 1 year.

## **NOTES TO THE ACCOUNTS**

### **31. External Audit Costs**

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

| <b>2015/16</b>  | <b>2016/17</b> |
|---|----------------|
| <b>£'000</b>  | <b>£'000</b>   |
| 262 Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales | 262            |
| 104 Fees payable to the Auditor General for Wales in respect of statutory inspection  | 99             |
| 100 Fees payable to the Auditor General for Wales for the certification of grant claims and returns   | 80*            |
| 0 Fees payable to the Auditor General for Wales for any other services  | 2              |
| 466   | 363            |

\* The £80k fee for the certification of grant claims and returns is an estimated figure.

### **32. Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16 and 2016/17:

| <b>2015/16</b>  | <b>2016/17</b> |
|---|----------------|
| <b>£'000</b>  | <b>£'000</b>   |
| <b>Credited to Taxation and Non Specific Grant Income</b>       |                |
| 100,346 Council Tax Income                                      | 105,152        |
| 70,092 Non Domestic Rates                                       | 73,224         |
| 237,542 Revenue Support Grant                                   | 234,543        |
| 5,702 School Building Improvement Grant                         | 4,771          |
| 2,319 Regional Transport Programme Grant / Local Transport Fund | 943            |
| 9,137 Housing MRA Grant   | 9,140          |
| 3,589 WEFO Convergence Grant                                    | 0              |
| 626 Road Safety / Safe Route in Communities                     | 703            |
| 0 Heritage Lottery Fund   | 257            |
| 3,868 General Capital Grant                                     | 3,876          |
| 1,314 Sandfields Renewal Area                                   | 0              |
| 3,998 Vibrant & Viable Places                                   | 3,051          |
| 1,385 Wales Retail Relief                                       | 23             |
| 0 Intermediate Care Fund  | 320            |
| 3,109 Other Grants and Contributions                            | 1,096          |
| <b>443,027</b>  | <b>437,099</b> |

## NOTES TO THE ACCOUNTS

| 2015/16        |  | 2016/17        |
|----------------|--|----------------|
| £'000          |  | £'000          |
|                | <b>Credited to Services</b>                                      |                |
| 10,433         | Education Improvement Grant                                      | 9,937          |
| 52,995         | Rent allowance subsidy   | 51,499         |
| 35,673         | Rent rebate subsidy  | 36,412         |
| 3,385          | Families First   | 3,056          |
| 13,609         | Supporting people  | 14,026         |
| 5,543          | Department for Children, Education, Lifelong Learning and Skills | 5,520          |
| 2,346          | Outcome agreement grant  | 0              |
| 4,762          | Environment and Sustainable Development Grant (ESD)              | 4,544          |
| 1,278          | Housing Benefit Administration                                   | 1,096          |
| 6,256          | Concessionary fares  | 6,482          |
| 1,198          | Training and Enterprise Council Contract                         | 0              |
| 5,991          | Flying Start   | 6,075          |
| 1,878          | WEFO Convergence Grant   | 0              |
| 1,141          | Vibrant and Viable Places  | 1,893          |
| 832            | Sandfields Renewal Area  | 2,120          |
| 6,385          | Pupil Deprivation Grant  | 6,926          |
| 2,517          | Communities First  | 2,192          |
| 30             | Rural Development Plan   | 85             |
| 6,064          | Bus Services Support Grant (BSSG)                                | 7,199          |
| 0              | ENABLE grant   | 280            |
| 0              | Mayhill Family / Medical centre grant                            | 567            |
| 0              | Intermediate Care Fund   | 2,533          |
| 851            | Western Bay Intermediate Care Fund                               | 1,309          |
| 835            | Western Bay Regional Collaboration Grant                         | 0              |
| 10,427         | Other Grants   | 10,445         |
| <b>174,429</b> |  | <b>174,196</b> |
|                | <b>Short-Term Liabilities</b>                                    |                |
| 3,000          | Vibrant & Viable Places Grant                                    | 0              |
| <b>3,000</b>   |  | <b>0</b>       |



## **NOTES TO THE ACCOUNTS**

### **33. 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 32 to the Accounts.

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

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

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

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

Caer Las Cymru  
Gower Commoners Association  
Gower College Swansea  
Industrial Common Ownership Financial Fund  
Mid and West Wales Fire Authority  
Swansea Bay Port Health Authority  
Swansea City Waste Disposal Ltd (LAWDAC)  
Swansea Children's Relief in Need (SCRIN)  
University of Wales Swansea – Court of Governors  
Welsh Local Government Association Council

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

## **NOTES TO THE ACCOUNTS**

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

Levies / Contributions paid to the two bodies were:-

|                                     |                              |
|-------------------------------------|------------------------------|
| Mid and West Wales Fire Authority:- | £11.912m (2015/16: £11.773m) |
| Swansea Bay Port Health Authority:- | £0.093m (2015/16: £0.093m)   |

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 2016/17 was £18.530m (2015/16 £17.800m).

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

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

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

A contribution of £2,275 was made in 2016/17 and 2015/16 to National Waterfront Museum Swansea towards 50% of the governance costs of the charitable company. There were no creditors outstanding as at 31st March 2017 (2015/16 zero) . There was an outstanding debtor of £1,315 as at 31st March 2017 (2015/16 £3,450).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 2017 are £18,849,975 (2016 £19,002,067).

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

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

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

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

## NOTES TO THE ACCOUNTS

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

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

| 2015/16<br>£'000  | 2016/17<br>£'000 |
|---|------------------|
| 317 Funding provided by the Authority towards operating costs of the pool | 331              |
| 102 Sum paid for the free use of the pool by schools and other bodies     | 101              |
| -820 Recharges of wages, salaries and other costs to the Company          | -868             |

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

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

There was an outstanding debtor of £144k (2015/16 zero) and no outstanding creditors at 31st March 2017 and 31st March 2016.

The net assets of Wales National Pool (Swansea) Limited at 31st March 2017 are £5,483,000 (2016 zero).

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

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

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

The Council incurred £116k of expenditure in respect of the Swansea Stadium Management Company Limited in 2016/17 (2015/16: £108k). These sums were reimbursed by SSMC Ltd.

## **NOTES TO THE ACCOUNTS**

The outstanding debtors and creditors at 31st March 2017 were £79k and £0 (2016 £70k and £0).

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

The Company has been loss making during 2016/17 and 2015/16. On the basis that the Authority is exempt from contributing to such losses, the company's results have not been consolidated into the Group Accounts.

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

### **Swansea Bay Futures Limited**

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

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

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

Funding set aside in the Authority's revenue budget for 2016/17 amounts to £0.362m (2015/16 £0.567m) which reflects the management fee payable to the company.

The net assets of Bay Leisure Limited at 31st March 2017 are £2,094,339 (2016 £527,450).

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

### **e) Other Organisations**

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

During 2016/17 a member was employed by Dimensions UK as a Business Development Manager. Dimensions UK provide domiciliary care to adults with learning disabilities in a supported living service in the individuals own tenancy. Services provided by Dimensions to the Authority in 2016/17 totalled £125,062. 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.

The spouse 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 2016/17 was £18,283. The senior manager's interest in this company was properly recorded in the Register of interests.

During 2015/16 a Business Enhancement Programme (BEP) grant of £44,299 was paid to a company in which a Cabinet Member has an interest. The member's interest in this company was properly recorded in the Register of members interests which is available on the Authority's public website.

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

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

### **g) Pension Fund**

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

## **NOTES TO THE ACCOUNTS**

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

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

### **34. Group Accounts**

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

- Swansea City Waste Disposal Company Limited - Annual report for the year ending 30th September 2016,
- National Waterfront Museum Swansea - Management Accounts for the year ending 31st March 2017,
- Wales National Pool Swansea - Annual report for the year ended 31st July 2016.

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 2017 and the use of current information would not be significant in relation to the group position as stated.

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", all Group activities were classified as 'Continuing' during the year. There were no material acquisitions or discontinuations of services as defined by the Standard. The total net assets of the Group can be analysed according to the relevant entity to which they relate, as follows:

| <b>31st March</b> |  | <b>31st March</b> |
|-------------------|--|-------------------|
| <b>2016</b>       |  | <b>2017</b>       |
| <b>£'000</b>      |  | <b>£'000</b>      |
| 1,062,148         | City and County of Swansea (Parent)                      | 1,063,579         |
| 21                | Swansea City Waste Disposal Company Limited (Subsidiary) | 32                |
| 9,502             | National Waterfront Museum Swansea (Joint Venture)       | 9,425             |
| 0                 | Wales National Pool (Joint Venture)                      | 2,742             |
| <b>1,071,671</b>  | <b>Net Assets Employed (exc. Pension Fund) *</b>         | <b>1,075,778</b>  |
| -569,640          | Net Group Pension Fund Liabilities                       | -679,092          |
| <b>502,031</b>    | <b>Net Assets Employed</b>                               | <b>396,686</b>    |

\* Some of the Group assets have been valued on a different basis to that used by the Authority. This has no material impact on the Group Balance Sheet.

## NOTES TO THE ACCOUNTS

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

### 35. 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.

| 2015/16<br>£'000   | 2016/17<br>£'000 |
|--|------------------|
| <b>396,270</b> Opening Capital Financing Requirement               | <b>462,919</b>   |
| <b>Capital investment</b>  |                  |
| 79,086 Property, Plant and Equipment                               | 86,319           |
| 90 Heritage Assets   | 8                |
| 929 Investment Properties  | 189              |
| 222 Intangible Assets  | 154              |
| 8,514 Revenue Expenditure Funded from Capital under Statute        | 11,765           |
| 73,580 HRA exit subsidy  | 0                |
| <b>Sources of finance</b>  |                  |
| -12,265 Capital receipts   | -5,716           |
| -637 Capital receipts - set aside                                  | -77              |
| -39,761 Government grants and other contributions                  | -32,941          |
| Sums set aside from revenue:                                       |                  |
| -26,787 Direct revenue contributions                               | -32,380          |
| -16,322 MRP/loans fund principal                                   | -13,859          |
| <b>462,919</b> Closing Capital Financing Requirement               | <b>476,381</b>   |
| <b>Explanation of movements in year</b>                            |                  |
| 65,402 Increase in underlying need to borrowing                    | 16,350           |
| 132 Assets acquired under finance leases                           | 125              |
| 1,115 Other movements in year                                      | -3,013           |
| <b>66,649</b> Increase/(decrease) in Capital Financing Requirement | <b>13,462</b>    |



## NOTES TO THE ACCOUNTS

### 36. Leases

#### Authority as Lessee

#### Finance Leases

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

|  | 31 March 2017<br>£'000 | 31 March 2016<br>£'000 |
|--|------------------------|------------------------|
| Vehicles, Plant, Furniture and Equipment | 620                    | 1,656                  |

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

|   | 31 March 2017<br>£'000 | 31 March 2016<br>£'000 |
|---|------------------------|------------------------|
| Finance lease liabilities (net present value of minimum lease payments) : |                        |                        |
| - current   | 137                    | 594                    |
| - non-current   | 402                    | 1,016                  |
| Finance costs payable in future years                                     | 41                     | 106                    |
| Minimum lease payments  | 580                    | 1,716                  |

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

|   | <b>Minimum Lease Payments</b> |                           | <b>Finance Lease Liabilities</b> |                           |
|---|-------------------------------|---------------------------|----------------------------------|---------------------------|
|   | 31 March<br>2017<br>£'000     | 31 March<br>2016<br>£'000 | 31 March<br>2017<br>£'000        | 31 March<br>2016<br>£'000 |
| Not later than one year                           | 141                           | 604                       | 137                              | 594                       |
| Later than one year and not later than five years | 432                           | 967                       | 396                              | 896                       |
| Later than five years                             | 7                             | 145                       | 6                                | 120                       |
|   | 580                           | 1,716                     | 539                              | 1,610                     |

## NOTES TO THE ACCOUNTS

### Operating Leases

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

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

|   | <b>31 March<br/>2017<br/>£'000</b> | <b>31 March<br/>2016<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Not later than one year                           | 808                                | 406                                |
| Later than one year and not later than five years | 1,014                              | 935                                |
| Later than five years                             | 0                                  | 169                                |
|   | <u>1,822</u>                       | <u>1,510</u>                       |

The operating lease charge for the year was £894,368.61 (2015/16 £490,971.23).

### 37. Impairment Losses

During 2016/17 the Authority has recognised impairment charges of £2.35m (2015/16 £9.89m) within the Comprehensive Income and Expenditure Statement. This was attributable to non enhancing expenditure.

### 38. Termination Benefits

During 2016/17 the Authority incurred significant expenditure in terms of redundancy costs paid to leavers together with costs incurred in compensation payments to the Local Government Pension Fund in respect of early access pension costs.

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

There is currently an enhanced offer for voluntary early departure from the Authority to accelerate the pace and scale of change and budgetary savings.

## **NOTES TO THE ACCOUNTS**

Costs were incurred relating to redundancy payments and early access to pension costs totalling £7.835m (2015/16 £5.733m) for the year.

These costs include provision for costs for a limited number of employees whose service will be terminated in 2017/18 but who had been offered - and accepted - severance terms as at 31st March 2017.

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.

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

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

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

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31st March 2017, the Authority's own contributions equate to approximately 0.2%.

In 2016/17 the Authority paid £12.1m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2015/16 were £11.4m and 15.5%. The March 2017 contributions of £1,004,476 were paid on the 7th April 2017. The contributions due to be paid in the next financial year are estimated to be £12.2m at an employer rate of 16.48%.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 40.

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

# NOTES TO THE ACCOUNTS

## 40. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Authority participates in two post-employment schemes:

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

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

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

### Discretionary Post-retirement Benefits

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

## NOTES TO THE ACCOUNTS

### Transactions Relating to Post-employment Benefits

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

|  | <b>Local Government Pension Scheme</b> |                | <b>Discretionary Benefits Arrangements</b> |                |
|--|--|----------------|--|----------------|
|  | <b>2016/17</b>                         | <b>2015/16</b> | <b>2016/17</b>                             | <b>2015/16</b> |
|  | <b>£m</b>                              | <b>£m</b>      | <b>£m</b>                                  | <b>£m</b>      |
| <b>Comprehensive Income and Expenditure Statement</b>  |  |                |  |                |
| Cost of Services:  |  |                |  |                |
| Service cost comprising:   |  |                |  |                |
| - current service cost   | 39.53                                  | 39.57          | 0.00                                       | 0.00           |
| - past service costs   | 2.67                                   | 2.20           | 0.00                                       | 0.00           |
| Financing and Investment Income and Expenditure  |  |                |  |                |
| - Net interest expense   | 15.68                                  | 14.53          | 3.01                                       | 2.96           |
| <b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b> | <b>57.88</b>                           | <b>56.30</b>   | <b>3.01</b>                                | <b>2.96</b>    |
| <br>   |  |                |  |                |
| <b>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>  |  |                |  |                |
| Remeasurement of the net defined benefit liability comprising:                                       |  |                |  |                |
| - Return on plan assets  | -135.14                                | 47.71          | 0  | 0              |
| - Actuarial gains and losses arising on changes in demographic assumptions                           | -35.63                                 | 0              | -1.41                                      | 0              |
| - Actuarial gains and losses arising on changes in financial assumptions                             | 332.81                                 | -51.48         | 9.33                                       | -2.82          |
| - Other  | -79.87                                 | -10.39         | -0.70                                      | -1.69          |
| <b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>  | <b>140.05</b>                          | <b>42.14</b>   | <b>10.23</b>                               | <b>-1.55</b>   |

## NOTES TO THE ACCOUNTS

|  | Local Government Pension Scheme |         | Discretionary Benefits Arrangements |         |
|--|---------------------------------|---------|-------------------------------------|---------|
|  | 2016/17                         | 2015/16 | 2016/17                             | 2015/16 |
|  | £m                              | £m      | £m                                  | £m      |
| <b>Movement in Reserves Statement</b>  |                                 |         |                                     |         |
| - reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code | -57.88                          | -56.30  | -3.01                               | -2.96   |
| <b>Actual amount charged against the General Fund Balance for pensions in the year:</b>  |                                 |         |                                     |         |
| - employers' contributions payable to the scheme   | 35.00                           | 35.03   |                                     |         |
| - retirement benefits payable to pensioners  |                                 |         | 5.83                                | 5.81    |

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

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

|  | Local Government Pension Scheme |                | Discretionary Benefits Arrangements |               |
|--|---------------------------------|----------------|-------------------------------------|---------------|
|  | 2016/17                         | 2015/16        | 2016/17                             | 2015/16       |
|  | £m                              | £m             | £m                                  | £m            |
| Present value of the defined benefit obligation              | 1,628.46                        | 1,348.06       | 95.61                               | 91.21         |
| Fair value of plan assets                                    | 1,044.98                        | 869.63         | 0.00                                | 0.00          |
| <b>Net liability arising from defined benefit obligation</b> | <b>-583.48</b>                  | <b>-478.43</b> | <b>-95.61</b>                       | <b>-91.21</b> |

## NOTES TO THE ACCOUNTS

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

|  | Local Government Pension Scheme |               | Discretionary Benefits Arrangements |             |
|--|---------------------------------|---------------|-------------------------------------|-------------|
|  | 2016/17                         | 2015/16       | 2016/17                             | 2015/16     |
|  | £m                              | £m            | £m                                  | £m          |
| Opening fair value of scheme assets  | 869.63                          | 874.87        | 0.00                                | 0.00        |
| Interest income  | 29.75                           | 28.23         | 0.00                                | 0.00        |
| Remeasurement gain/(loss):   |                                 |               |                                     |             |
| - The return on plan assets, excluding the amount included in the net interest expense | 135.14                          | -47.71        | 0.00                                | 0.00        |
| Contributions from employer  | 35.00                           | 35.03         | 5.83                                | 5.81        |
| Contributions from employees into the scheme   | 9.55                            | 9.23          | 0.00                                | 0.00        |
| Benefits paid  | -34.09                          | -30.02        | -5.83                               | -5.81       |
| Net increase in assets from disposals/acquisitions                                     | 0.00                            | 0.00          | 0.00                                | 0.00        |
| <b>Closing fair value of scheme assets</b>   | <b>1,044.98</b>                 | <b>869.63</b> | <b>0.00</b>                         | <b>0.00</b> |

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

|  | Funded Liabilities: Local Government Pension Scheme |                 | Unfunded Liabilities: Discretionary Benefits Arrangements |              |
|--|---|-----------------|---|--------------|
|  | 2016/17   | 2015/16         | 2016/17   | 2015/16      |
|  | £m  | £m              | £m  | £m           |
| Opening Balance at 1st April   | 1,348.06  | 1,346.19        | 91.21   | 98.57        |
| Current service cost   | 39.53   | 39.57           | 0.00  | 0.00         |
| Interest cost  | 45.43   | 42.76           | 3.01  | 2.96         |
| Contributions from scheme participants                                   | 9.55  | 9.23            | 0.00  | 0.00         |
| Remeasurement (gains) and losses:  |   |                 |   |              |
| - Actuarial gains/losses arising from changes in demographic assumptions | -35.63  | 0.00            | -1.41   | 0.00         |
| - Actuarial gains/losses arising from changes in financial assumptions   | 332.81  | -51.48          | 9.33  | -2.82        |
| - Other  | -79.87  | -10.39          | -0.70   | -1.69        |
| Past service cost  | 2.67  | 2.20            | 0.00  | 0.00         |
| Benefits paid  | -34.09  | -30.02          | -5.83   | -5.81        |
| Net increase in liabilities from disposals/acquisitions                  | 0.00  | 0.00            | 0.00  | 0.00         |
| <b>Closing balance at 31st March</b>                                     | <b>1,628.46</b>                                     | <b>1,348.06</b> | <b>95.61</b>  | <b>91.21</b> |

## NOTES TO THE ACCOUNTS

### Local Government Pension Scheme assets comprised:

|                                   | Fair value of scheme assets |                         |
|-----------------------------------|-----------------------------|-------------------------|
|                                   | 2016/17                     | 2015/16                 |
|                                   | £'000                       | £'000                   |
| Cash and cash equivalents         | 67,561                      | 62,783                  |
| Equity instruments:               |                             |                         |
| By industry type                  |                             |                         |
| - Consumer                        | 207,153                     | 186,716                 |
| - Manufacturing                   | 130,692                     | 91,494                  |
| - Energy and utilities            | 112,307                     | 82,351                  |
| - Financial institutions          | 187,941                     | 139,514                 |
| - Health and care                 | 97,144                      | 76,081                  |
| - Information technology          | 81,790                      | 62,672                  |
| - Telecommunications services     | 38,375                      | 35,950                  |
| - Property                        | 4,459                       | 0                       |
|                                   | <u>859,861</u>              | <u>674,778</u>          |
| Pooled Equity Investment Vehicles |                             |                         |
| - UK                              | 160,652                     | 134,488                 |
| - Overseas                        | 332,091                     | 248,412                 |
|                                   | <u>492,743</u>              | <u>382,900</u>          |
| Property                          | 87,240                      | 84,684                  |
|                                   | <u>87,240</u>               | <u>84,684</u>           |
| Fixed Interest:                   |                             |                         |
| - Fixed Interest                  | 195,320                     | 185,625                 |
| - Index-Linked                    | 32,282                      | 26,923                  |
| Sub-total private equity          | <u>227,602</u>              | <u>212,548</u>          |
| Hedge Funds                       | 52,318                      | 48,494                  |
| Private Equity                    | 58,246                      | 42,428                  |
| Cash Funds                        | 1,664                       | 99                      |
| Cash                              | 3,211                       | 3,137                   |
| Net Current Assets                | 3,107                       | 778                     |
| Total assets                      | <u><u>1,853,553</u></u>     | <u><u>1,512,629</u></u> |



## NOTES TO THE ACCOUNTS

|                              | Fair value of scheme assets |         |
|------------------------------|-----------------------------|---------|
|                              | 2016/17                     | 2015/16 |
|                              | £'000                       | £'000   |
| Equity instruments:          |                             |         |
| By company size              |                             |         |
| - Large capitalisation       | 679,442                     | 502,269 |
| - Small capitalisation       | 180,419                     | 172,509 |
| Sub-total equity instruments | 859,861                     | 674,778 |

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31st March 2016.

The significant assumptions used by the Actuary have been:

|   | Local Government Pension Scheme |         | Discretionary Benefits |         |
|---|---------------------------------|---------|------------------------|---------|
|   | 2016/17                         | 2015/16 | 2016/17                | 2015/16 |
| Mortality assumptions:                          |                                 |         |                        |         |
| Longevity at 65 for current pensioners: (years) |                                 |         |                        |         |
| - Men   | 22.9                            | 22.7    | 22.9                   | 22.7    |
| - Women   | 24.4                            | 25.2    | 24.4                   | 25.2    |
| Longevity at 65 for future pensioners: (years)  |                                 |         |                        |         |
| - Men   | 24.5                            | 24.9    |                        |         |
| - Women   | 26.2                            | 27.5    |                        |         |
| Rate of inflation %                             | 2.0                             | 1.8     | 2.0                    | 1.8     |
| Rate of increase in salaries %                  | 3.5                             | 3.3     |                        |         |
| Rate of increase in pensions %                  | 2.0                             | 1.8     | 2.0                    | 1.8     |
| Rate for discounting scheme liabilities %       | 2.5                             | 3.4     | 2.5                    | 3.4     |

## NOTES TO THE ACCOUNTS

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

|  | <b>Impact on the Defined Benefit<br/>Obligation in the Scheme</b> |  |
|--|---|--|
|  | <b>Increase in<br/>Assumption<br/>£m</b>                          | <b>Decrease in<br/>Assumption<br/>£m</b> |
| Longevity (increase or decrease in 1 year)                             | 1,579.06  | -1,678.12                                |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 1,637.24  | -1,619.77                                |
| Rate of increase in pensions (increase or decrease by 0.1%)            | 1,649.00  | -1,608.20                                |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 1,599.58  | -1,657.86                                |

### **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 (72.7% of scheme assets) and bonds (12.7%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments. There is a limited use of derivatives to manage the bond risk for the shorter-term instruments. The ALM strategy is monitored annually or more frequently if necessary.

# NOTES TO THE ACCOUNTS

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is as at 31st March 2019.

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 £36.85m contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years (2015/16 19.1 years).

## 41. Contingent Liabilities

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

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

## NOTES TO THE ACCOUNTS

| Nature of Liability                | Potential Financial Effect<br>£'000 | Comment   | Timing  |
|------------------------------------|-------------------------------------|---|---------|
| Personal Social Services           | Unknown                             | Following the 'Cheshire West' Judgment of 2014, this Authority has received a significant increase in the number of Deprivation of Liberties Safeguards applications. The legislation places the Authority under a legal obligation to process such applications within specified timescales. Should there be a failure to meet such timescales; financial damages may be awarded against the Council.  | Ongoing |
| Care Home Fees                     | Unknown                             | Relates to Supreme Court Judgement to determine Social Services liability for social care functions performed by nursing staff employed at private sector nursing homes. Case heard on 26th April. Judgement expected by end of July. Judgement will not conclude on costs owed by Local Authorities merely on whether there is legal justification for Local Authorities to fund aspects of services provided by nurses. Calculation of debts owed to private sector homes and steps to recover may require separate negotiation / legal action. | Unknown |
| Infrastructure and retaining walls | Unknown                             | There are potential claims regarding infrastructure and retaining walls which may be taken against the Authority - such claims will be rigorously defended through the Authority's insurers and any successful claims will be met from future capital or revenue funding.   | Unknown |
| Financial Guarantees               | Unknown                             | The Authority has in place funding agreements in respect of operating losses/management fees with regard to the following operational companies:-<br><ul style="list-style-type: none"> <li>- Bay Leisure Limited ( Leisure centre),</li> <li>- Wales National Pool Swansea.</li> </ul> To date any contributions made to these companies have fallen within the annual revenue budget provision.   | Unknown |

## NOTES TO THE ACCOUNTS

| Nature of Liability                | Potential Financial Effect<br>£'000 | Comment  | Timing  |
|------------------------------------|-------------------------------------|--|---------|
| Financial Guarantees               | Unknown                             | <p>With respect to Bay Leisure Limited (Swansea Leisure Centre) there is an obligation to consider annual funding requests but no contractual liability to fund deficits.</p> <p>In both instances the Authority makes what it considers to be a reasonable annual budget provision to meet its obligations based on business plans from both organisations and past funding experience, and, as such, any further liability would be limited to sums in excess of the normal budget provision.</p>  | Unknown |
| Equal pay and Equal Value claims   | Unknown                             | <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. In respect of known future liabilities the Authority has made what it considers to be adequate revenue provision within the Accounts to cater for the estimated value of such residual liabilities.</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> | 2017/18 |
| 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 |

## **NOTES TO THE ACCOUNTS**

| <b>Nature of Liability</b>                         | <b>Potential Financial Effect<br/>£'000</b> | <b>Comment</b>   | <b>Timing</b> |
|--|---|--|---------------|
| Retention or Clawback on Grant and Contract Claims | Unknown                                     | The Council undertakes a range of activities under which payment is made specifically on evidenced performance over an extended period. Full receipt is not guaranteed until the end of the grant or contract period. There is potential risk that grant clawback may arise if not all grant terms and conditions are fulfilled.   | Unknown       |
| Legal and Insurance related matters                | Unknown                                     | The Council is regularly challenged on a range of issues that are either subject to litigation or insurance claims. The Council at all times will vigorously defend such claims, and in cases where claims are identified, the result can be anticipated and the potential financial effect evaluated then adequate provision is made with the Accounts for any such liabilities. There remains the possibility however of future claims arising as a result of past actions that are either unknown at the Balance Sheet date or where the outcome is so unpredictable in terms of outcome or financial liability that no reliable estimate of liability can be made. | Unknown       |
| Data Protection                                    | Unknown                                     | Given the scale and nature of sensitive data handled / processed by the Authority there is the risk on occasion of data breach and attendant consequences including the potential for Information Commissioners Office fines. This risk value may increase as fines in future are to be linked to organisation turnover.   | Unknown       |
| SSMC   | Unknown                                     | There are a number of operational running costs and stadium construction matters to be resolved between the SSMC, tenant clubs and the Council.  | 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**

### **42. Contingent Assets**

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

| <u>Nature of Contingent asset</u> | <u>Potential financial effect</u><br>£'000 | <u>Comment</u>  | <u>Timing</u> |
|-----------------------------------|--|---|---------------|
| Royal Mail                        | Unknown                                    | The Authority has lodged two claims - one against Royal Mail at the High Court and one against HMRC at the VAT tribunal for VAT on postage previously paid and for compound interest.                                   | Unknown       |
| HMRC Compound Interest            | £1,000                                     | The Authority has submitted a claim relating to previously settled 'Fleming' claims which were subject to simple interest. It is the Authority's contention that interest should have been accrued on a compound basis. | Unknown       |
| Leisure                           | £800                                       | The Authority has submitted a claim to HMRC for VAT previously declared on Leisure income. This is currently stood behind the London Borough of Ealing lead case.   | Unknown       |

### **43. Council Tax**

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

The Council Tax base is the number of properties in each band adjusted by a multiplier to convert the number to band 'D' equivalent and adjusted for discounts. The base was 89,151 in 2016/2017 (89,066 in 2015/2016).

The basic amount for a band 'D' property is £1,383.75 (£1,331.68 for 2015/16) is multiplied by the proportion specified for the particular band to give the individual amounts due.

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

## NOTES TO THE ACCOUNTS

The band 'D' numbers shown have been adjusted for an assumed collection rate of 97.5% (97.5% in 2015/16) to arrive at the Council Tax base for the year.

|                 |     |       |        |        |        |        |        |       |       |       |
|-----------------|-----|-------|--------|--------|--------|--------|--------|-------|-------|-------|
| Band            | A*  | A     | B      | C      | D      | E      | F      | G     | H     | I     |
| Multiplier      | 5/9 | 6/9   | 7/9    | 8/9    | 9/9    | 11/9   | 13/9   | 15/9  | 18/9  | 21/9  |
| Band 'D' Number | 13  | 8,988 | 18,210 | 18,083 | 13,847 | 13,258 | 10,204 | 5,723 | 2,098 | 1,013 |

Analysis of the net proceeds from Council Tax:

| <b>2015/16</b>                                       | <b>2016/17</b> |
|--|----------------|
| <b>£'000</b>   | <b>£'000</b>   |
| 120,507 Council tax collectable                      | 125,494        |
| -496 Less:- Provision for non payment of Council tax | -469           |
| -19,665 Less:- Council Tax Support Scheme            | -19,873        |
| <b>100,346</b> Net proceeds from Council Tax         | <b>105,152</b> |

Application of Council Tax proceeds:

| <b>2015/16</b>                             | <b>2016/17</b> |
|--|----------------|
| <b>£'000</b>                               | <b>£'000</b>   |
| 118,607 City & County of Swansea precept   | 123,363        |
| <b>910</b> Community Council precept       | <b>967</b>     |
| 119,517 Council Tax requirement            | 124,330        |
| -19,665 Less:- Council Tax Support Scheme  | -19,873        |
| 494 Transfer to reserves (Surplus)         | 695            |
| <b>100,346</b> Net application of proceeds | <b>105,152</b> |



## **NOTES TO THE ACCOUNTS**

### **44. 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 2016/17 was 0.486p (0.482p in 2015/16) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR Pool administered by the Welsh Government. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £72.222m for 2016/17 (£70.202m for 2015/16) was based on a rateable value at year end of £192.298m (£192.135m 2015/16).

The £72.222m represents the NNDR income collected by the Council and paid into the NNDR Pool that is administered by the Welsh Government. The £73.224m disclosed in Note 10 (Taxation and Non Specific Grant Income) is the receipt the Council received back from the Welsh Government.

Analysis of the proceeds from non domestic rates:

| <b>2015/16</b>                                  | <b>2016/17</b> |
|---|----------------|
| <b>£'000</b>                                    | <b>£'000</b>   |
| 71,867 Non – domestic rates due                 | 73,776         |
| -391 Council funded contribution to rate relief | -363           |
| 71,476  | 73,413         |
| -465 Less: cost of collection                   | -467           |
| -672 Provision for bad debts                    | -724           |
| -137 Interest due on overpayments               | 0              |
| 70,202 NNDR due to pool                         | 72,222         |
| 70,092 Net receipt from pool                    | 73,224         |

### **45. Jointly Controlled Operations**

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

## NOTES TO THE ACCOUNTS

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

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

### 46. Heritage Assets: Summary of Transactions

|   | 2015/16 | 2016/17 |
|---|---------|---------|
|   | £'000   | £'000   |
| <b>Cost of acquisition of heritage assets</b> |         |         |
| Heritage Land, Buildings & Infrastructure     | 90      | 4       |
| Art & Museums                                 | 0       | 0       |
| Furniture, Fixtures & Fittings                | 0       | 0       |
| Other   | 12      | 4       |
| <b>Total Cost of purchases</b>                | 102     | 8       |

### Revaluation recognised in the Revaluation Reserve in the period

|   |    |       |
|---|----|-------|
| Heritage Land, Buildings & Infrastructure | 0  | 0     |
| Art & Museums                             | 10 | 2,037 |
| Furniture, Fixtures & Fittings            | 0  | 0     |
| Other                                     | 0  | 0     |
| <b>Total</b>                              | 10 | 2,037 |

### Revaluation recognised in the Surplus/Deficit on the Provision of Services in the period

|   |   |      |
|---|---|------|
| Heritage Land, Buildings & Infrastructure | 0 | 0    |
| Art & Museums                             | 0 | 0    |
| Furniture, Fixtures & Fittings            | 0 | -224 |
| Other                                     | 0 | 0    |
| <b>Total</b>                              | 0 | -224 |

## NOTES TO THE ACCOUNTS

|  | 2015/16    | 2016/17   |
|--|------------|-----------|
|  | £'000      | £'000     |
| <b>Impairment recognised in the period</b> |            |           |
| Heritage Land, Buildings & Infrastructure  | -90        | -4        |
| Art & Museums                              | 0          | 0         |
| Furniture, Fixtures & Fittings             | 0          | 0         |
| Other                                      | 0          | -4        |
| <b>Total</b>                               | <u>-90</u> | <u>-8</u> |
| <br>                                       |            |           |
| <b>Reclassification</b>                    |            |           |
| Heritage Land, Buildings & Infrastructure  | -10        | 0         |
| Art & Museums                              | 0          | 0         |
| Furniture, Fixtures & Fittings             | 0          | 0         |
| Other                                      | 0          | 0         |
| <b>Total</b>                               | <u>-10</u> | <u>0</u>  |

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

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

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

| <u>2015/16</u> |   | <u>2016/17</u>                        |
|----------------|---|---------------------------------------|
| <u>£'000</u>   |   | <u>Note</u> <u>£'000</u> <u>£'000</u> |
|                | <b><u>Expenditure</u></b>                         |                                       |
| 12,248         | Repairs and maintenance                           | 12,934                                |
| 13,658         | Supervision and management                        | 12,777                                |
| 555            | Rent, rates, taxes and other charges              | 601                                   |
| 3,327          | Depreciation and impairment of non-current assets | 6 5,984                               |
| 85             | Debt management costs                             | 67                                    |
| 330            | Movement in the allowance for bad debts           | 336                                   |
| 73,580         | HRA exit subsidy                                  | 0                                     |
| <b>103,783</b> | <b>Total Expenditure</b>                          | <b>32,699</b>                         |
|                | <b><u>Income</u></b>                              |                                       |
| -52,521        | Dwelling rents                                    | -54,754                               |
| -97            | Non-dwelling rents                                | -103                                  |
| -2,675         | Charges for services and facilities               | -2,737                                |
| -1,007         | Contributions towards expenditure                 | -1,132                                |
| -18            | HRA subsidy receivable                            | 0                                     |
| <b>-56,318</b> | <b>Total Income</b>                               | <b>-58,726</b>                        |

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

| <u>2015/16</u> |  | <u>2016/17</u> |
|----------------|--|----------------|
| <u>£'000</u>   |  | <u>£'000</u>   |
| 47,465         | <b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>        | -26,027        |
| 718            | HRA services' share of Corporate and Democratic Core   | 672            |
| <b>48,183</b>  | <b>Net Cost for HRA Services</b>   | <b>-25,355</b> |
|                | <b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b> |                |
| 5,925          | Interest payable and similar charges   | 6,221          |
| -66            | Interest and investment income   | -47            |
| 875            | Net interest on the net defined benefit liability (asset)  | 935            |
| -9,137         | Capital grants and contributions receivable  | -9,140         |
| 128            | Income and expenditure in relation to investment properties and changes in their fair value                              | 124            |
| <b>-2,275</b>  |  | <b>-1,907</b>  |
| <b>45,908</b>  | <b>Surplus(-)/deficit for the year on HRA services</b>   | <b>-27,262</b> |

## **MOVEMENT ON THE HRA BALANCE**

| <u>2015/16</u> |   | <u>2016/17</u> |
|----------------|---|----------------|
| <u>£'000</u>   |   | <u>£'000</u>   |
| 17,135         | Balance on the HRA at the end of the previous year                            | 15,233         |
| -45,908        | Surplus or (deficit) for the year on the HRA Income and Expenditure Statement | 27,262         |
| 44,006         | Adjustments between accounting basis and funding basis under statute          | -32,674        |
| <u>-1,902</u>  | <b>Net decrease before transfers to or from reserves</b>                      | <u>-5,412</u>  |
| 0              | Transfers from / to reserves  | 0              |
| <u>-1,902</u>  | <b>Increase or (decrease) in year on the HRA</b>                              | <u>-5,412</u>  |
| <u>15,233</u>  | <b>Balance on the HRA at the end of the current year</b>                      | <u>9,821</u>   |

### **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:

|               |   |               |
|---------------|---|---------------|
| 1,178         | Pension costs (transferred to (or from) the Pensions Reserve)   | 1,198         |
| 110           | Financial instruments (transferred to the Financial Instruments Adjustment Account)   | -3            |
| 183           | Holiday pay (transferred to the Accumulated Absences Reserve)   | -133          |
| -5,682        | 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): | -3,033        |
| 73,580        | Reversal of HRA Exit Subsidy  | 0             |
| <u>69,369</u> | <b>Total Adjustments to Revenue Resources</b>   | <u>-1,971</u> |

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

|                |   |                |
|----------------|---|----------------|
| -1,270         | Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)    | -2,703         |
| -24,093        | Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | -28,000        |
| <u>-25,363</u> | <b>Total Adjustments between Revenue and Capital Resources</b>                                  | <u>-30,703</u> |
| <u>44,006</u>  | <b>Total Adjustments</b>  | <u>-32,674</u> |

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

### **1. Housing Stock**

As at 31st March 2017 the Authority owned a total of 13,500 properties, made up of different types of dwelling including detached houses, semi-detached houses, bungalows, low level flats, high rise accommodation and sheltered accommodation.

The change in stock numbers can be summarised as follows:

| <b>31/03/2016</b> |                                 | <b>31/03/2017</b> |
|-------------------|---------------------------------|-------------------|
| <b>Units</b>      |                                 | <b>Units</b>      |
| 13,512            | Stock at 1 <sup>st</sup> April  | 13,493            |
| 0                 | Additions                       | 10                |
| -19               | Sales                           | -3                |
| <u>13,493</u>     | Stock at 31 <sup>st</sup> March | <u>13,500</u>     |

### **2. Rent arrears and provisions for bad debts**

#### **Rent arrears**

| <b>31/03/2016</b> |                 | <b>31/03/2017</b> |
|-------------------|-----------------|-------------------|
| <b>£'000</b>      |                 | <b>£'000</b>      |
| 1,355             | Current tenants | 1,413             |
| 543               | Former tenants  | 529               |
| <u>1,898</u>      |                 | <u>1,942</u>      |

Former tenants arrears written off during 2016/17 totalled £0.316m (2015/16 £0.331m). A bad debts provision has been made in the accounts in respect of potentially uncollectable rent arrears. The value of the provision at 31st March 2017 is £1.086m (31st March 2016 £1.066m).

#### **Provision for bad debts**

| <b>2015/16</b> |                                 | <b>2016/17</b> |
|----------------|---------------------------------|----------------|
| <b>£'000</b>   |                                 | <b>£'000</b>   |
| -1,067         | Provisions as at 1st April      | -1,066         |
| 331            | Arrears written off during year | 316            |
| -330           | Increase in provision required  | -336           |
| <u>-1,066</u>  | Provisions as at 31st March     | <u>-1,086</u>  |

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

### **3. Capital expenditure**

During 2016/17 £54.564m (2015/16 £39.642m) was spent on HRA Properties.

This was financed as follows:-

| <b>2015/16</b>       |                                  | <b>2016/17</b>       |
|----------------------|----------------------------------|----------------------|
| <b>£'000</b>         |                                  | <b>£'000</b>         |
| 9,137                | Grants – Major Repairs Allowance | 9,140                |
| 6,412                | Capital Contributions            | 4,607                |
| 24,093               | Revenue and Balances             | 28,000               |
| 0                    | Borrowing                        | 12,817               |
| <b><u>39,642</u></b> |                                  | <b><u>54,564</u></b> |

The capital expenditure was incurred on HRA assets as follows:

| <b>2015/16</b>       |  | <b>2016/17</b>       |
|----------------------|--|----------------------|
| <b>£'000</b>         |  | <b>£'000</b>         |
| 39,642               | HRA Properties                                     | 42,690               |
| 0                    | HRA Properties (work in progress at 31 March 2017) | 11,874               |
| <b><u>39,642</u></b> |  | <b><u>54,564</u></b> |

The Major Repairs Allowance was used in full in 2016/17 and 2015/16.

With the exception of £400k of additional flats at Matthew Street, capital expenditure on council housing did not increase the value of the council properties and has been written down against the revaluation reserve.

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

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

No revenue expenditure funded from capital under statute was charged to the Housing Revenue Account in 2016/17 and 2015/16.

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

Capital receipts received during the year in respect of the sale of HRA properties amounted to £220k (£1.345m 2015/16). Of this £77k (£637k 2015/16) was set aside for the repayment of debt.



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

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

| <b>2015/16</b>      |   | <b>2016/17</b>    |
|---------------------|---|-------------------|
| <b>£'000</b>        |   | <b>£'000</b>      |
| 8,009               | Opening balance 1 <sup>st</sup> April     | 2,305             |
| 1,345               | Receipts during the year                  | 220               |
| -637                | Less set asides                           | -77               |
| 0                   | Less other costs                          | -4                |
| -6,412              | Less used to fund HRA Capital Programme   | -1,861            |
| <b><u>2,305</u></b> | <b>Balance available as at 31st March</b> | <b><u>583</u></b> |

Capital receipts were as follows:

| <b>2015/16</b>      |                | <b>2016/17</b>    |
|---------------------|----------------|-------------------|
| <b>£'000</b>        |                | <b>£'000</b>      |
| 849                 | Council Houses | 107               |
| 496                 | Land           | 113               |
| <b><u>1,345</u></b> |                | <b><u>220</u></b> |

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

The total charge for depreciation and impairment made to the HRA for 2016/17 amounted to £5.984m (2015/16 £3.327m) and is analysed as follows:-

| <b>2015/16</b>      |                                    | <b>2016/17</b>      |
|---------------------|------------------------------------|---------------------|
| <b>£'000</b>        |                                    | <b>£'000</b>        |
|                     | Depreciation on operational assets |                     |
| 3,149               | - dwellings                        | 5,719               |
| 33                  | - other property                   | 34                  |
|                     | Revaluation Losses                 |                     |
| 145                 | - dwellings                        | 231                 |
| <b><u>3,327</u></b> | <b>Total</b>                       | <b><u>5,984</u></b> |

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

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.

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

Supervision and management costs shown within the income and expenditure account includes a sum of £2.804m (2015/16 £2.697m) which is the cost calculated by the Authority's actuary as being the employers contribution required to meet the current year pension costs of HRA employees. This does not represent a statutory charge to HRA balances and is reversed out and replaced by the actual employers superannuation payments made before the final transfer to/from Housing Revenue Account balances is calculated.

### **8. Reserve Transfer**

No net transfer to or from capital reserves was made during 2015/16 and 2016/17.

# CITY & COUNTY OF SWANSEA PENSION FUND


## 1. Introduction

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

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

- The Fund Account which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The Net Assets Statement which gives a snapshot of the financial position of the fund as at 31st March 2017.
- The Notes to The Financial Statements which are designed to provide further explanation of some of the figures in the statement and to give a further understanding of the nature of the fund.

## 2 Summary of transactions for the year

| Where the money comes from:-   | £'000          |  | And where it goes.....  | £'000         |  |       |                             |       |                           |         |                        |                |
|--------------------------------|----------------|--|---|---------------|--|-------|-----------------------------|-------|---------------------------|---------|------------------------|----------------|
| Contributions and transfers in | 85,562         |  | Pensions Payable Lump sum benefits  | 58,454        |  |       |                             |       |                           |         |                        |                |
| Other                          | 194            |  | Refunds and transfers out   | 17,779        |  |       |                             |       |                           |         |                        |                |
|                                |                |  | Administrative expenses   | 4,870         |  |       |                             |       |                           |         |                        |                |
|                                | <u>85,756</u>  |  |   | <u>82,244</u> |  |       |                             |       |                           |         |                        |                |
|                                |                |  | <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">£'000</th> </tr> </thead> <tbody> <tr> <td>Net new money into the Fund</td> <td style="text-align: right;">3,512</td> </tr> <tr> <td>Net return on investments</td> <td style="text-align: right;">339,741</td> </tr> <tr> <td>Increase in Fund value</td> <td style="text-align: right;"><u>343,253</u></td> </tr> </tbody> </table> |               |  | £'000 | Net new money into the Fund | 3,512 | Net return on investments | 339,741 | Increase in Fund value | <u>343,253</u> |
|                                | £'000          |  |   |               |  |       |                             |       |                           |         |                        |                |
| Net new money into the Fund    | 3,512          |  |   |               |  |       |                             |       |                           |         |                        |                |
| Net return on investments      | 339,741        |  |   |               |  |       |                             |       |                           |         |                        |                |
| Increase in Fund value         | <u>343,253</u> |  |   |               |  |       |                             |       |                           |         |                        |                |

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

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

I hereby certify that the statement of accounts on pages 154 to 194 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2017.

Ben Smith  
Head of Financial Services

# CITY & COUNTY OF SWANSEA PENSION FUND

## Fund Account For The Year Ended 31st March

| <b>2015/16</b>                          |   | <b>2016/17</b> |              |                |
|---|---|----------------|--------------|----------------|
| <b>£'000 Contributions and benefits</b> | <b>Notes</b>                                    | <b>£'000</b>   | <b>£'000</b> | <b>£'000</b>   |
| Contributions receivable :              |   |                |              |                |
| 61,743                                  | Employers contribution                          | 3              | 64,818       |                |
| 16,649                                  | Members contribution                            | 3              | 16,903       | 81,721         |
| 2,451                                   | Transfers in                                    | 4              | <hr/>        | 3,841          |
| 119                                     | Other income                                    | 5              |              | 194            |
| <hr/>                                   |   |                |              | <hr/>          |
| 80,962                                  |   |                |              | 85,756         |
| Benefits payable :                      |   |                |              |                |
| -56,555                                 | Pensions payable                                | 6              | -58,454      |                |
| -16,357                                 | Lump sum benefits                               | 6              | -17,779      | -76,233        |
| <hr/>                                   |   |                | <hr/>        |                |
| Payments to and on account of leavers : |   |                |              |                |
| -127                                    | Refunds of contributions                        | 7              | -120         |                |
| -4,718                                  | Transfers out                                   | 7              | -4,750       | -4,870         |
| -1,033                                  | Management Expenses                             | 8              | <hr/>        | -1,141         |
| <hr/>                                   |   |                |              | <hr/>          |
| <b>2,172</b>                            | <b>Net additions from dealing with members</b>  |                |              | <b>3,512</b>   |
| <hr/> <hr/>                             |   |                |              | <hr/> <hr/>    |
| <b>Returns on investments</b>           |   |                |              |                |
| 26,214                                  | Investment income                               | 9              |              | 29,838         |
| -50,884                                 | Change in market value of investments           | 12             |              | 315,415        |
| -4,662                                  | Investment management expenses                  | 8              |              | -5,512         |
| <hr/>                                   |   |                |              | <hr/>          |
| <b>-29,332</b>                          | <b>Net returns on investments</b>               |                |              | <b>339,741</b> |
| <hr/> <hr/>                             |   |                |              | <hr/> <hr/>    |
| <b>-27,160</b>                          | <b>Net Increase in the fund during the year</b> |                |              | <b>343,253</b> |
| <hr/> <hr/>                             |   |                |              | <hr/> <hr/>    |
| 1,539,789                               | Opening Net Assets of the Fund                  |                |              | 1,512,629      |
| 1,512,629                               | Closing Net Assets of the Fund                  |                |              | 1,855,882      |

# CITY & COUNTY OF SWANSEA PENSION FUND

## Net Assets Statement As At 31 March

| 31st March<br>2016                              |       | 31st March<br>2017      |
|---|-------|-------------------------|
| £'000   | Notes | £'000                   |
| <b>Investments at market value:</b>             |       |                         |
| 1,445,832 Investment Assets                     | 11    | 1,780,339               |
| 99 Cash Funds                                   | 12    | 1,664                   |
| 62,783 Cash Deposits                            | 12    | 67,561                  |
| 3,137 Other Investment Balances - Dividends Due | 12    | 3,211                   |
| <b>1,511,851 Sub Total</b>                      |       | <b>1,852,775</b>        |
| 6,592 Current Assets                            | 16    | 7,402                   |
| -5,814 Current Liabilities                      | 16    | -4,295                  |
| <b><u>1,512,629</u> Net assets</b>              |       | <b><u>1,855,882</u></b> |

The financial statements on pages 154 to 189 summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee. The financial statements do not take account of liabilities and other benefits which fall due after the period end. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in Note 18 of this statement, and these accounts should be read in conjunction with this information.

## Notes to the Financial Statements

### 1. Basis of preparation

The financial statements summarise the fund's transactions for the 2016/17 financial year and its position at year-end 31 March 2017. The financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

### 2. Accounting Policies

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

#### (a) Contributions

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

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

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

#### (b) Benefits

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

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

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

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

#### (d) Investments

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

## 2. Accounting Policies (continued)

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

### e) Financial Instruments

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

### f) Cash and Cash Funds

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

### g) Investment Income

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



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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net asset statement as 31 March 2017 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

- Actuarial present value of promised retirement benefits

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

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

### **j) Other**

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

# CITY & COUNTY OF SWANSEA PENSION FUND

## 3. Analysis of Contributions

| Total<br>Contributions                |  | Total<br>Contributions |
|---------------------------------------|--|------------------------|
| 2015/16<br>£'000                      |  | 2016/17<br>£'000       |
| <b><u>Administering Authority</u></b> |  |                        |
| <b><u>43,983</u></b>                  | City & County of Swansea                 | <b><u>46,623</u></b>   |
| <b><u>Admitted Bodies</u></b>         |  |                        |
| 378                                   | Celtic Community Leisure                 | 364                    |
| 9                                     | Colin Laver Heating Limited              | 0                      |
| 18                                    | Swansea Bay Racial Equality Council      | 42                     |
| 111                                   | Wales National Pool                      | 117                    |
| 25                                    | Capgemini                                | 0                      |
| 2,614                                 | NPT Homes                                | 2,547                  |
| 895                                   | Grwp Gwalia                              | 676                    |
| 23                                    | Rathbone Training Ltd (CCS)              | 11                     |
| 36                                    | Rathbone Training Ltd (Gower College)    | 36                     |
| <b><u>4,109</u></b>                   | <b>Total Admitted Bodies</b>             | <b><u>3,793</u></b>    |
| <b><u>Scheduled Bodies</u></b>        |  |                        |
| 7                                     | Cilybebyll Community Council             | 8                      |
| 17                                    | Coedffranc Community Council             | 29                     |
| 1,662                                 | Gower College                            | 1,737                  |
| 1,735                                 | NPTC Group                               | 1,699                  |
| 68                                    | Neath Town Council                       | 71                     |
| 25,001                                | Neath Port Talbot County Borough Council | 26,087                 |
| 27                                    | Margam Joint Crematorium Committee       | 37                     |
| 5                                     | Pelenna Community Council                | 5                      |
| 15                                    | Pontardawe Town Council                  | 16                     |
| 40                                    | Swansea Bay Port Health Authority        | 27                     |
| 1,723                                 | University of Wales Trinity St Davids    | 1,584                  |
| 0                                     | Briton Ferry Town Council                | 2                      |
| 0                                     | Llanrhidian Higher Community Council     | 2                      |
| 0                                     | Ysalyfera Community Council              | 1                      |
| <b><u>30,300</u></b>                  | <b>Total Scheduled Bodies</b>            | <b><u>31,305</u></b>   |
| <b><u>78,392</u></b>                  | <b>Total Contributions Receivable</b>    | <b><u>81,721</u></b>   |

# CITY & COUNTY OF SWANSEA PENSION FUND

## 3. Analysis of Contributions (continued)

Total Employer/Employee contributions comprise of:

| <b>2015/16</b> |                                       | <b>2016/17</b> |
|----------------|---------------------------------------|----------------|
| <b>£'000</b>   |                                       | <b>£'000</b>   |
|                | Employers                             |                |
| 58,800         | Normal                                | 60,780         |
| 0              | Other                                 | 0              |
| 2,943          | Early Access                          | 4,038          |
| <u>61,743</u>  | <b>Total</b>                          | <u>64,818</u>  |
|                | Employees                             |                |
| 16,612         | Normal                                | 16,863         |
| 37             | Other                                 | 40             |
| <u>16,649</u>  | <b>Total</b>                          | <u>16,903</u>  |
| <u>78,392</u>  | <b>Total Contributions Receivable</b> | <u>81,721</u>  |

# CITY & COUNTY OF SWANSEA PENSION FUND

## 4. Transfers In

Transfers in comprise of:

| <b>2015/16</b>      |   | <b>2016/17</b>      |
|---------------------|---|---------------------|
| <b>£'000</b>        |   | <b>£'000</b>        |
| 65 *                | Group transfers from other schemes      | 0                   |
| 2,386               | Individual transfers from other schemes | 3,841               |
| <u><b>2,451</b></u> | <b>Total</b>                            | <u><b>3,841</b></u> |

\* Group Transfers from other schemes is in respect of Coleg Powys, who have merged with Neath Port Talbot College (a scheduled body within this Scheme) with effect from 1st August 2013, to form Neath Port Talbot College Group. A total of £10m was received in prior years as an interim payment, a debtor of £65k was been included in 2015/16, which was the actual outstanding balance.

## 5. Other Income

Other income comprise of:

| <b>2015/16</b>    |                         | <b>2016/17</b>    |
|-------------------|-------------------------|-------------------|
| <b>£'000</b>      |                         | <b>£'000</b>      |
| 127               | Bank Interest           | 200               |
| -8                | Early Access - Interest | -6                |
| <u><b>119</b></u> | <b>Total</b>            | <u><b>194</b></u> |

## 6. Benefits Payable

By category

| <b>2015/16</b>       |  | <b>2016/17</b>       |
|----------------------|--|----------------------|
| <b>£'000</b>         |  | <b>£'000</b>         |
| 56,555               | Pensions                                     | 58,454               |
| 14,165               | Commutation and lump sum retirement benefits | 15,417               |
| 2,192                | Lump sum death benefits                      | 2,362                |
| <u><b>72,912</b></u> | <b>Total</b>                                 | <u><b>76,233</b></u> |

## 7. Payments to and on account of leavers

Transfers out and refunds comprise of:

| <b>2015/16</b>      |                                       | <b>2016/17</b>      |
|---------------------|---------------------------------------|---------------------|
| <b>£'000</b>        |                                       | <b>£'000</b>        |
| 127                 | Refunds to members leaving service    | 120                 |
| 4,718               | Individual transfers to other schemes | 4,750               |
| <u><b>4,845</b></u> | <b>Total</b>                          | <u><b>4,870</b></u> |

# CITY & COUNTY OF SWANSEA PENSION FUND

## 8. Administrative and Investment Management Expenses

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

| 2015/16<br>£'000 |   | 2016/17<br>£'000 |
|------------------|---|------------------|
|                  | <b>Administrative Expenses</b>          |                  |
| 684              | Support Services (SLA) & Employee Costs | 690              |
| 30               | Printing & Publications                 | 18               |
| 168              | Other                                   | 169              |
| <b>882</b>       |   | <b>877</b>       |
|                  | <b>Oversight &amp; Governance</b>       |                  |
| 18               | Actuarial Fees                          | 55               |
| 43               | Advisors Fees                           | 45               |
| 50               | External Audit Fees                     | 50               |
| 26               | Performance Monitoring Service          | 10               |
| 9                | Pension Fund Committee                  | 6                |
| 5                | Pension Board                           | 1                |
| 0                | All Wales Pool Fees                     | 97               |
| <b>151</b>       |   | <b>264</b>       |
| <b>1,033</b>     |   | <b>1,141</b>     |
|                  | <b>Investment Management Expenses</b>   |                  |
| 4,117            | Management Fees                         | 4,894            |
| 437              | Performance Fees                        | 494              |
| 108              | Custody Fees                            | 124              |
| <b>4,662</b>     |   | <b>5,512</b>     |
| <b>5,695</b>     | <b>Total</b>                            | <b>6,653</b>     |

The above represents direct fees payable to the appointed fund managers, however the following mandates are appointed via a fund of funds/manager of managers approach and the table below represents the fees payable to underlying managers. Returns for these mandates are net of underlying fee costs. However for disclosure purposes the fees incurred were:

| 2015/16<br>£'000 |                         | 2016/17<br>£'000 |
|------------------|-------------------------|------------------|
| 199              | Partners Group          | 277              |
| 353              | Blackrock               | 678              |
| 1230             | Schroders Property Fund | 1,300            |
| 726              | Permal                  | 733              |
| 706              | HarbourVest             | 715              |
| <b>3,214</b>     | <b>Total</b>            | <b>3,703</b>     |
| <b>3,214</b>     |                         | <b>3,703</b>     |

# CITY & COUNTY OF SWANSEA PENSION FUND

## 9. Investment Income

| 2015/16  | 2016/17              |
|--|----------------------|
| £'000  | £'000                |
| 13,301 U.K. Equities                           | 15,596               |
| 8,066 Overseas Equities                        | 9,169                |
| 3,909 Managed Fund - Fixed Interest            | 3,854                |
| 936 Pooled Investment vehicles - Property Fund | 1,289                |
| 2 Interest and other Income                    | -70                  |
| <b><u>26,214</u> Total</b>                     | <b><u>29,838</u></b> |

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

## 10. Taxation

### a) United Kingdom

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

### b) Overseas

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

# CITY & COUNTY OF SWANSEA PENSION FUND

## 11. Investment Assets

|  | 31st March 2016 |                   |                  | 31st March 2017 |                   |                  |
|--|-----------------|-------------------|------------------|-----------------|-------------------|------------------|
|  | UK<br>£'000     | Overseas<br>£'000 | Total<br>£'000   | UK<br>£'000     | Overseas<br>£'000 | Total<br>£'000   |
| <b>Equities</b>                                      |                 |                   |                  |                 |                   |                  |
| Quoted   | 342,618         | 344,274           | 686,892          | 414,015         | 456,711           | 870,726          |
| <b>Pooled investment vehicles</b>                    |                 |                   |                  |                 |                   |                  |
| Managed Funds:                                       |                 |                   |                  |                 |                   |                  |
| Quoted:  |                 |                   |                  |                 |                   |                  |
| Equity   | 0               | 13,386            | 13,386           | 0               | 16,585            | 16,585           |
| Fixed Interest                                       | 0               | 113,351           | 113,351          | 0               | 118,328           | 118,328          |
| Unquoted:  |                 |                   |                  |                 |                   |                  |
| Equity   | 122,374         | 235,026           | 357,400          | 149,787         | 315,506           | 465,293          |
| Fixed Interest                                       | 56,862          | 15,412            | 72,274           | 60,643          | 16,349            | 76,992           |
| Index-linked   | 26,923          | 0                 | 26,923           | 32,282          | 0                 | 32,282           |
| Property Unit Trust                                  | 13,204          | 0                 | 13,204           | 12,053          | 0                 | 12,053           |
| Property Fund  | 34,956          | 36,524            | 71,480           | 36,162          | 38,911            | 75,073           |
| Hedge Fund   | 0               | 48,494            | 48,494           | 0               | 52,318            | 52,318           |
| Private Equity                                       | 0               | 42,428            | 42,428           | 0               | 60,689            | 60,689           |
| <b>Total pooled investment vehicles</b>              | <b>254,319</b>  | <b>504,621</b>    | <b>758,940</b>   | <b>290,927</b>  | <b>618,686</b>    | <b>909,613</b>   |
| <b>Total equities and pooled investment vehicles</b> | <b>596,937</b>  | <b>848,895</b>    | <b>1,445,832</b> | <b>704,942</b>  | <b>1,075,397</b>  | <b>1,780,339</b> |
| <br>   |                 |                   |                  |                 |                   |                  |
| Cash Funds   |                 |                   | 99               |                 |                   | 1,664            |
| Cash   |                 |                   | 62,783           |                 |                   | 67,561           |
| Other Investment Balances Due                        |                 |                   | 3,137            |                 |                   | 3,211            |
| <b>Total</b>   |                 |                   | <b>1,511,851</b> |                 |                   | <b>1,852,775</b> |

# CITY & COUNTY OF SWANSEA PENSION FUND

## 11. Investment Assets (continued)

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

| <b>31st March<br/>2016<br/>£'000</b> | <b>Investment assets</b>       | <b>31st March<br/>2017<br/>£'000</b> |
|--------------------------------------|--------------------------------|--------------------------------------|
| 185,625                              | Fixed interest                 | 195,320                              |
| 26,923                               | Index linked securities        | 32,282                               |
| 464,992                              | U.K. equities                  | 563,802                              |
| 592,686                              | Overseas Equities              | 788,802                              |
| 84,684                               | Property                       | 87,126                               |
| 48,494                               | Hedge Funds                    | 52,318                               |
| 42,428                               | Private Equity                 | 60,689                               |
| <b><u>1,445,832</u></b>              | <b>Total investment assets</b> | <b><u>1,780,339</u></b>              |



# CITY & COUNTY OF SWANSEA PENSION FUND

## 12. Reconciliation of movements in investments

|                                    | Value at 31st<br>March 2016 | Purchases      | Sales           | Change in<br>Market<br>Value | Value at 31st<br>March 2017 |
|------------------------------------|-----------------------------|----------------|-----------------|------------------------------|-----------------------------|
|                                    | £'000                       | £'000          | £'000           | £'000                        | £'000                       |
| <b>Equities</b>                    |                             |                |                 |                              |                             |
| Aberdeen                           | 100,275                     | 15,056         | -13,258         | 28,894                       | 130,967                     |
| JPM                                | 262,540                     | 271,136        | -266,026        | 82,602                       | 350,252                     |
| Schroders                          | 337,463                     | 65,696         | -58,375         | 61,308                       | 406,092                     |
| L&G                                | 357,400                     | 1,290          | -703            | 107,306                      | 465,293                     |
|                                    | <u>1,057,678</u>            | <u>353,178</u> | <u>-338,362</u> | <u>280,110</u>               | <u>1,352,604</u>            |
| <b>Property</b>                    |                             |                |                 |                              |                             |
| <b>UK</b>                          |                             |                |                 |                              |                             |
| Schroders                          | 48,160                      | 4,883          | -5,188          | 360                          | 48,215                      |
| Partners                           | 23,906                      | 1,326          | -3,780          | 3,637                        | 25,089                      |
| Invesco                            | 12,618                      | 0              | -494            | 1,698                        | 13,822                      |
|                                    | <u>84,684</u>               | <u>6,209</u>   | <u>-9,462</u>   | <u>5,695</u>                 | <u>87,126</u>               |
| <b>Fixed Interest</b>              |                             |                |                 |                              |                             |
| <b>Fixed Interest</b>              |                             |                |                 |                              |                             |
| L&G                                | 72,274                      | 0              | -720            | 5,438                        | 76,992                      |
| Goldman                            | 113,351                     | 3,854          | 0               | 1,123                        | 118,328                     |
|                                    | <u>185,625</u>              | <u>3,854</u>   | <u>-720</u>     | <u>6,561</u>                 | <u>195,320</u>              |
| <b>Index-Linked</b>                |                             |                |                 |                              |                             |
| L&G                                | 26,923                      | 0              | 0               | 5,359                        | 32,282                      |
|                                    | <u>26,923</u>               | <u>0</u>       | <u>0</u>        | <u>5,359</u>                 | <u>32,282</u>               |
| <b>Hedge Funds</b>                 |                             |                |                 |                              |                             |
| BlackRock                          | 25,733                      | 0              | -378            | 2,235                        | 27,590                      |
| Permal                             | 22,761                      | 0              | -213            | 2,180                        | 24,728                      |
|                                    | <u>48,494</u>               | <u>0</u>       | <u>-591</u>     | <u>4,415</u>                 | <u>52,318</u>               |
| <b>Private Equity</b>              |                             |                |                 |                              |                             |
| HarbourVest                        | 42,428                      | 13,313         | -8,325          | 13,273                       | 60,689                      |
|                                    | <u>42,428</u>               | <u>13,313</u>  | <u>-8,325</u>   | <u>13,273</u>                | <u>60,689</u>               |
| <b>Cash funds</b>                  |                             |                |                 |                              |                             |
| Schroders                          | 99                          | 4,160          | -2,597          | 2                            | 1,664                       |
|                                    | <u>99</u>                   | <u>4,160</u>   | <u>-2,597</u>   | <u>2</u>                     | <u>1,664</u>                |
| <b>Total</b>                       | <u>1,445,931</u>            | <u>380,714</u> | <u>-360,057</u> | <u>315,415</u>               | <u>1,782,003</u>            |
| <b>Cash</b>                        | <b>62,783</b>               |                |                 |                              | 67,561                      |
| <b>Other Investment Balances -</b> |                             |                |                 |                              |                             |
| <b>Dividends Due</b>               | <b>3,137</b>                |                |                 |                              | 3,211                       |
| <b>TOTAL</b>                       | <u><b>1,511,851</b></u>     |                |                 | <u><b>315,415</b></u>        | <u><b>1,852,775</b></u>     |

# CITY & COUNTY OF SWANSEA PENSION FUND

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

Transaction costs are included in the cost of purchase and sales proceeds. Identifiable transaction costs incurred in the year relating to segregated investments amounted to £264k (2015/16: £180k). Costs are also incurred by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately disclosed.

## 13. Concentration of Investments

The following investments represented 5% or more of the Fund's net assets at 31st March 2017:

|                                    | Value as at<br>the<br>31st March<br>2016<br>£'000 | Proportion<br>of Net<br>Asset<br>% | Value as at<br>the<br>31st March<br>2017<br>£'000 | Proportion<br>of Net<br>Asset<br>% |
|------------------------------------|---|------------------------------------|---|------------------------------------|
| L&G UK Equity Index                | 122,374   | 8.1                                | 149,787   | 8.1                                |
| Goldman Sachs Global Libor Plus II | 113,351   | 7.5                                | 118,328   | 6.4                                |
| L&G North America Equity Index     | 108,446   | 7.2                                | 146,379   | 7.9                                |

## 14. Realised Profit on the Sale of Investments

| 2015/16<br>£'000              | 2016/17<br>£'000     |
|-------------------------------|----------------------|
| -3,917 U.K. Equities          | 9,312                |
| 2,377 Overseas Equities       | 39,557               |
| 946 Property Fund             | 2,286                |
| 11 Cash Fund                  | 2                    |
| <b><u>-583</u> Net Profit</b> | <b><u>51,157</u></b> |

## 15. Fixed Interest and Index Linked Investments

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

| 31st March<br>2016<br>£'000 | 31st March<br>2017<br>£'000 |
|-----------------------------|-----------------------------|
| 112,350 UK Public Sector    | 147,948                     |
| 100,198 Other               | 79,654                      |
| <b><u>212,548</u></b>       | <b><u>227,602</u></b>       |

# CITY & COUNTY OF SWANSEA PENSION FUND

## 16. Current Assets and Liabilities

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

| <b>31st March</b>          |  | <b>31st March</b>    |
|----------------------------|--|----------------------|
| <b>2016</b>                |  | <b>2017</b>          |
| <b>£'000</b>               |  | <b>£'000</b>         |
| <b>Current Assets</b>      |  |                      |
| 603                        | Contributions - Employees                    | 593                  |
| 2,084                      | Contributions - Employers                    | 2,594                |
| 2,143                      | Early Access Contributions Debtor            | 2,565                |
| 306                        | Transfer Values                              | 406                  |
| 1,456                      | Other  | 1,244                |
| <u><b>6,592</b></u>        |  | <u><b>7,402</b></u>  |
| <b>Current Liabilities</b> |  |                      |
| -930                       | Investment Management Expenses               | -547                 |
| -2,493                     | Commutation and lump sum retirement benefits | -1,970               |
| -427                       | Lump sum death benefits                      | -44                  |
| -328                       | Transfers to Other Schemes                   | -677                 |
| -602                       | Payroll Deductions - Tax                     | -602                 |
| -695                       | Payable Control List                         | -30                  |
| -339                       | Other  | -425                 |
| <u><b>-5,814</b></u>       |  | <u><b>-4,295</b></u> |
| <u><b>778 Net</b></u>      |  | <u><b>3,107</b></u>  |

Analysed as:

| <b>31st March</b>          |                                | <b>31st March</b>    |
|----------------------------|--------------------------------|----------------------|
| <b>2016</b>                |                                | <b>2017</b>          |
| <b>£'000</b>               |                                | <b>£'000</b>         |
| <b>Current Assets</b>      |                                |                      |
| 573                        | Central Government Bodies      | 511                  |
| 5,310                      | Other Local Authorities        | 6,039                |
| 709                        | Other Entities and Individuals | 852                  |
| <u><b>6,592</b></u>        |                                | <u><b>7,402</b></u>  |
| <b>Current Liabilities</b> |                                |                      |
| -48                        | Central Government Bodies      | -216                 |
| -1,490                     | Other Local Authorities        | -739                 |
| -4,276                     | Other Entities and Individuals | -3,340               |
| <u><b>-5,814</b></u>       |                                | <u><b>-4,295</b></u> |
| <u><b>778 Net</b></u>      |                                | <u><b>3,107</b></u>  |

# CITY & COUNTY OF SWANSEA PENSION FUND

## 16. Current Assets & Liabilities (continued)

### Early Access Debtor

|                                  | Instalment<br>Due<br>2017/18<br>£'000 | Instalment<br>Due<br>2018/19<br>£'000 | Instalment<br>Due<br>2019/20<br>£'000 | Instalment<br>Due<br>2020/21<br>£'000 | Total<br>£'000 |
|----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|----------------|
| Early Access<br>Principal Debtor | 2,728                                 | 4                                     | 3                                     | 0                                     | 2,735          |
| Early Access<br>Interest Debtor  | 1                                     | 0                                     | 0                                     | 0                                     | 1              |
| <b>Total (Gross)</b>             | <b>2,729</b>                          | <b>4</b>                              | <b>3</b>                              | <b>0</b>                              | <b>2,736</b>   |

## 17. Capital and Contractual Commitments

As at 31st March 2017 the Scheme was committed to providing funding to appointed managers investing in unquoted securities. These commitments amounted to £70.0m (2015/16 : £81.0m).

# CITY & COUNTY OF SWANSEA PENSION FUND

## 18. Statement of the Actuary for the year ended 31 March 2017

### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City & County of Swansea Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme (Administration) Regulations 2013.

### Actuarial Position

1 The valuation as at 31 March 2016 showed that the funding ratio of the Fund was broadly similar to the funding ratio as at the previous valuation, with the market value of the Fund's assets at 31st March 2016 (of £1,512.6M) covering 80% of the liabilities in respect of service prior to the valuation date allowing, in the case of pre 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

2 The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:

- 18.0% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate).

#### Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2017 (the secondary rate), equivalent to 7.0% of pensionable pay (or £20.1M in 2017/18, and increasing by 3.5% p.a. thereafter).

3 In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the respective employers.

4 The funding plan adopted in assessing the contributions for each individual employer or group was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer was agreed with the administering authority reflecting the employers' circumstances.

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

# CITY & COUNTY OF SWANSEA PENSION FUND

## 18. Statement of the Actuary for the year ended 31 March 2017 (continued)

### Discount rate for periods in service

|                            |           |
|----------------------------|-----------|
| Scheduled body employers * | 4.6% p.a. |
| Orphan body employers      | 4.6% p.a. |

### Discount rate for periods after leaving service

|  |           |
|--|-----------|
| Scheduled body employers *   | 4.6% p.a. |
| Orphan body employers  | 2.5% p.a. |
| Rate of pay increase   | 3.5% p.a. |
| Rate of increase to pension accounts   | 2.0% p.a. |
| Rate of increase in pensions in payment<br>(in excess of Guaranteed Minimum Pension) | 2.0% p.a. |

*\*The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.*

*In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.*

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) Core Projections Model released with Working Paper 91 with Core assumptions, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were :

|  | Men  | Women |
|--|------|-------|
| Current pensioners aged 65 at the valuation date | 22.8 | 24.3  |
| Future pensioners aged 45 at the valuation date  | 24.4 | 26.1  |

The assets were valued at market value.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

### **18. Statement of the Actuary for the year ended 31 March 2017 (continued)**

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

9. The report on the actuarial valuation as at 31 March 2016 is available from the Fund's website at the following address:

<http://www.swanseapensionfund.org.uk/investment-and-fund/actuarial-valuations/>

Aon Hewitt Limited  
May-17

### **Actuarial Present Value of Promised Retirement Benefits**

CIPFA's Code of Practice also requires the actuarial present value of the promised retirement benefits to be disclosed based on IAS26 and using assumptions relevant to IAS19 and not the funding assumptions above. The actuarial present value of the promised retirement benefits on this basis as at 31st March 2016 is £2,249.7m (31st March 2013 £1,936.8m), which compares the market value of the assets at that date of £1,512.6m (31st March 2013 £1,277.6m).

### **Definitions**

#### **Admission Body**

An employer admitted to the Fund under an admission agreement.

#### **Orphan Body**

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

#### **Scheduled Body**

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

## **18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2017 (continued)**

### **Subsumption and subsumption body**

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

### **Certificate of the Actuary Regarding the Contributions Payable by the Employing**

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

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



## CITY & COUNTY OF SWANSEA PENSION FUND

### 18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2017 (continued)

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

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

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

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

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

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

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

## **19. Related party transactions**

£690k (£684k 2015/16) was paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Directorate & Legal Services during the year.

Contributions received from admitted and scheduled bodies as detailed on page 161.

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

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

The Pension Fund currently has 35 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a panel. The panel is advised by two independent advisors.

### **Key Management Personnel**

The key management person of the fund is the Director of Resources. The management of the fund only forms part of this role within the Council. Further details of remuneration payable can be found within the Council's Financial Statements. The amount of these payments are immaterial with regard to the costs of the management of the Fund, details of which are found in Note 8.

### **Governance**

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

# CITY & COUNTY OF SWANSEA PENSION FUND

## 20. Additional Voluntary Contributions

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

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

| AVC Provider   | Value of Funds at 1st April 2016 | Purchases at Cost (Contributions In/Out) | Sale Proceeds | Change in Market Value | Value of Funds at 31st March 2017 |
|----------------|----------------------------------|--|---------------|------------------------|-----------------------------------|
|                | £'000                            | £'000                                    | £'000         | £'000                  | £'000                             |
| Prudential     | 4,225                            | 1,719                                    | -1,048        | 330                    | 5,226                             |
| Aegon          | 1,224                            | 50                                       | -337          | 187                    | 1,124                             |
| Equitable Life | 296                              | 2  | -38           | 19                     | 279                               |
| <b>Totals</b>  | <b>5,745</b>                     | <b>1,771</b>                             | <b>-1,423</b> | <b>536</b>             | <b>6,629</b>                      |

# CITY & COUNTY OF SWANSEA PENSION FUND

## 21. Membership

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

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2017 there were 17,903 contributors, 12,200 pensioners and 11,583 deferred pensioners.

| <b>Membership statistics</b> | <b>31st March 2013</b> | <b>31st March 2014</b> | <b>31st March 2015</b> | <b>31st March 2016</b> | <b>31st March 2017</b> |
|------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|                              | <b>Number</b>          | <b>Number</b>          | <b>Number</b>          | <b>Number</b>          | <b>Number</b>          |
| Contributors                 | 14,586                 | 15,576                 | 16,285                 | 17,469                 | 17,903                 |
| Pensioners                   | 10,432                 | 10,833                 | 11,261                 | 11,745                 | 12,200                 |
| Deferred Pensioners          | 8,815                  | 9,663                  | 9,801                  | 11,226                 | 11,583                 |
| <b>Total</b>                 | <b>33,833</b>          | <b>36,072</b>          | <b>37,347</b>          | <b>40,440</b>          | <b>41,686</b>          |

See Appendix 1 for current year analysis

## 22. Fair Value of Investments

### Financial Instruments

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

### Financial Instruments - Gains & Losses

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

### Fair Value – Hierarchy

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

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

The table on the following page shows the position of the Fund's assets at 31st March 2016 and 2017 based upon this hierarchy:

# CITY & COUNTY OF SWANSEA PENSION FUND

## 22. Fair Value of Investments (continued)

### FAIR VALUE - HIERARCHY

|                                   | 31 March 2016    |                |                | 31 March 2017    |                  |                |
|-----------------------------------|------------------|----------------|----------------|------------------|------------------|----------------|
|                                   | Market Value     | Level 1        | Level 2        | Level 1          | Level 2          | Level 3        |
|                                   | £'000            | £'000          | £'000          | £'000            | £'000            | £'000          |
| <b>Equities</b>                   |                  |                |                |                  |                  |                |
| UK Equities                       | 342,618          | 342,618        | -              | 414,015          | -                | -              |
| Overseas Equities                 | 344,274          | 344,274        | -              | 456,711          | -                | -              |
|                                   |                  |                |                |                  |                  |                |
| <b>Pooled Investment Vehicles</b> |                  |                |                |                  |                  |                |
| Fixed-Interest Funds              |                  |                |                |                  |                  |                |
| UK Equity                         | 113,351          | 113,351        | -              | 118,328          | -                | -              |
| Overseas Equity                   | 122,374          | -              | 122,374        | 149,787          | -                | 149,787        |
| Fixed Interest                    | 248,412          | 13,386         | 235,026        | 332,091          | 16,585           | 315,506        |
| Index-linked                      | 72,274           | -              | 72,274         | 76,992           | -                | 76,992         |
| Property Unit Trust               | 26,923           | -              | 26,923         | 32,282           | -                | 32,282         |
| Property Fund                     | 13,204           | -              | 13,204         | 12,053           | -                | 12,053         |
| Hedge Fund                        | 71,480           | -              | 71,480         | 75,073           | -                | 75,073         |
| Private Equity                    | 48,494           | -              | 48,494         | 52,318           | -                | 52,318         |
| Infrastructure                    | 42,428           | -              | 42,428         | 60,689           | -                | 60,689         |
|                                   | -                | -              | -              | -                | -                | -              |
| Cash                              | 62,882           | 62,882         | -              | 69,225           | 69,225           | -              |
|                                   |                  |                |                |                  |                  |                |
| Other Investment Balances -       |                  |                |                |                  |                  |                |
| Dividends Due                     | 3,137            | 3,137          | -              | 3,211            | 3,211            | -              |
| <b>Total</b>                      | <b>1,511,851</b> | <b>879,648</b> | <b>632,203</b> | <b>1,852,775</b> | <b>1,078,075</b> | <b>774,700</b> |

Values entered in this table will feed through into next sheets

## 23. INVESTMENT RISKS

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

### Procedures for Managing Risk

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

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

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

### Manager Risk

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

## 23. INVESTMENT RISKS (continued)

### Credit Risk

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

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

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

- The Fund's active fixed-interest bond portfolio £118,328k is managed (by Goldman Sachs) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2017, the Fund's exposure to non-investment grade paper was 7.4% of the actively managed fixed income portfolio.
- On private equity the Fund's investments are almost entirely in the equity of the companies concerned. The Fund's private equity investments of £60,689K are managed by Harbourvest in a fund of funds portfolio.

On hedge fund of funds and multi-strategy vehicles, underlying managers have in place a broad range of derivatives. The Fund's exposure to hedge funds through its managers at 31st March 2017 is set out below with their relative exposure to credit risk.

|           | <b>March 2017<br/>£'000</b> | <b>Credit Exposure</b> |
|-----------|-----------------------------|------------------------|
| Permal    | 24,728                      | 0.80%                  |
| Blackrock | 27,590                      | 23.2%                  |

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

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

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

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

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

The table below analyses the value of the Fund's investments at 31st March 2017 by liquidity profile.

|  | Amounts at<br>31st March<br>2017<br>£000s | Within 1<br>month<br>£000s | 1-3<br>months<br>£000s | 4-12<br>months<br>£000s | > 1 Year<br>£000s |
|--|---|----------------------------|------------------------|-------------------------|-------------------|
| <b>Equities</b>                                      |   |                            |                        |                         |                   |
| UK Equities  | 414,015                                   | 414,015                    | 0                      | 0                       | 0                 |
| Overseas Equities                                    | 456,711                                   | 456,711                    | 0                      | 0                       | 0                 |
| <b>Pooled Investment Vehicles</b>                    |   |                            |                        |                         |                   |
| Fixed-Interest Funds                                 | 118,328                                   | 118,328                    | 0                      | 0                       | 0                 |
| UK Equity  | 149,787                                   | 149,787                    | 0                      | 0                       | 0                 |
| Overseas Equity                                      | 332,091                                   | 332,091                    | 0                      | 0                       | 0                 |
| Fixed Interest                                       | 76,992                                    | 76,992                     | 0                      | 0                       | 0                 |
| Index-linked   | 32,282                                    | 32,282                     | 0                      | 0                       | 0                 |
| Property Unit Trust                                  | 12,053                                    | 0                          | 0                      | 12,053                  | 0                 |
| Property Fund  | 75,073                                    | 0                          | 0                      | 36,162                  | 38,911            |
| Hedge Fund   | 52,318                                    | 0                          | 0                      | 52,318                  | 0                 |
| Private Equity                                       | 60,689                                    | 0                          | 0                      | 0                       | 60,689            |
| Infrastructure                                       | 0   | 0                          | 0                      | 0                       | 0                 |
| Deposits with banks and other financial institutions | 69,225                                    | 69,225                     | 0                      | 0                       | 0                 |
| Other Investment Balances - Dividends Due            | 3,211                                     | 3,211                      | 0                      | 0                       | 0                 |
| <b>Total</b>   | <b>1,852,775</b>                          | <b>1,652,642</b>           | <b>0</b>               | <b>100,533</b>          | <b>99,600</b>     |



## 23. INVESTMENT RISKS (continued)

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

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

This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation. As can be seen from the table, even using the conservative basis outlined above, around 89% of the portfolio is realisable within 1 month and 95% is realisable within 12 months.

### Market Risk

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

Market risk is comprised of two elements :

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

The table on the following page sets out an analysis of the Fund's market risk positions at 31 March 2017 by showing the percentage invested in each asset class and through each manager within each main asset class, the index used as a benchmark and the target set for managers against this benchmark.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

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

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

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

Due to volatility in the equity markets, there was an imbalance of 3.6% over allocation to overseas equities as at 31st March 2017.

Permanent rebalancing will be considered in light of market reversion and inherent cost of rebalancing, in line with full investment strategy review following the triennial valuation July 2017/18.

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

### Price Risk

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

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

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible. Had the market price of the fund investments increased/decreased in line with the potential market movements, the change in the net assets available to pay benefits in the market price as at 31 March 2017 would have been as follows:

#### Price Risk

| Asset Type                 | Value (£'000)    | % Change     | Value on Increase | Value on Decrease |
|----------------------------|------------------|--------------|-------------------|-------------------|
| UK Equities                | 563,802          | 9.10%        | 615,108           | 512,496           |
| Overseas Equities          | 788,802          | 9.70%        | 865,316           | 712,288           |
| Total Bonds & Index-Linked | 227,602          | 6.00%        | 241,258           | 213,946           |
| Cash                       | 69,225           | 4.50%        | 72,340            | 66,110            |
| Property                   | 87,126           | 1.20%        | 88,172            | 86,080            |
| Alternatives               | 113,007          | 3.20%        | 116,623           | 109,391           |
| Other Investment Balances  | 3,211            | 0.00%        | 3,211             | 3,211             |
| <b>Total Assets*</b>       | <b>1,852,775</b> | <b>6.50%</b> | <b>1,973,205</b>  | <b>1,732,344</b>  |

*\*The % change for Total Assets includes the impact of correlation across asset classes*

and as at 31st March 2016 :

#### Price Risk

| Asset Type                 | Value (£'000)    | % Change     | Value on Increase | Value on Decrease |
|----------------------------|------------------|--------------|-------------------|-------------------|
| UK Equities                | 464,992          | 10.86%       | 515,490           | 414,494           |
| Overseas Equities          | 592,686          | 9.91%        | 651,421           | 533,951           |
| Total Bonds & Index-Linked | 212,548          | 2.63%        | 218,138           | 206,958           |
| Cash                       | 62,882           | 0.01%        | 62,888            | 62,876            |
| Property                   | 84,684           | 3.22%        | 87,411            | 81,957            |
| Alternatives               | 90,922           | 4.12%        | 94,668            | 87,176            |
| Other Investment Balances  | 3,137            | 0.00%        | 3,137             | 3,137             |
| <b>Total Assets*</b>       | <b>1,511,851</b> | <b>6.96%</b> | <b>1,617,034</b>  | <b>1,406,668</b>  |

*\*The % change for Total Assets includes the impact of correlation across asset classes*

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

### Currency Risk

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

In consultation with the fund's investment advisors, the council has determined that the following movements in currencies are reasonably possible. The following represents a sensitivity analysis associated with foreign exchange movements as at 31 March 2017:

#### Currency Risk (by currency)

| Currency                     | Value (£'000)  | % Change     | Value on Increase | Value on Decrease |
|------------------------------|----------------|--------------|-------------------|-------------------|
| Australian Dollar            | 7,178          | 11.20%       | 7,982             | 6,374             |
| Brazilian Real               | 5,592          | 20.90%       | 6,761             | 4,423             |
| Canadian Dollar              | 5,607          | 9.10%        | 6,119             | 5,095             |
| Danish Krone                 | 2,928          | 9.00%        | 3,191             | 2,665             |
| EURO                         | 100,483        | 9.00%        | 109,118           | 91,184            |
| Hong Kong Dollar             | 12,098         | 8.90%        | 13,180            | 11,016            |
| Indian Rupee                 | 2,602          | 9.60%        | 2,852             | 2,352             |
| Indonesian Rupiah            | 2,134          | 12.30%       | 2,396             | 1,872             |
| Israeli Shekel               | 2,364          | 8.40%        | 2,563             | 2,165             |
| Japanese Yen                 | 75,520         | 14.90%       | 86,758            | 64,282            |
| Mexican Peso                 | 3,165          | 11.40%       | 3,527             | 2,803             |
| Norwegian Krone              | 1,138          | 10.60%       | 1,259             | 1,017             |
| Chinese Renminbi Yuan        | 15,645         | 8.50%        | 16,972            | 14,318            |
| Russian Rouble               | 4,366          | 23.80%       | 5,406             | 3,326             |
| Singapore Dollar             | 3,692          | 8.80%        | 4,017             | 3,367             |
| South African Rand           | 3,556          | 16.50%       | 4,144             | 2,968             |
| South Korean Won             | 12,650         | 10.40%       | 13,970            | 11,330            |
| Swedish Krona                | 5,828          | 8.80%        | 6,340             | 5,316             |
| Swiss Franc                  | 25,258         | 11.90%       | 28,272            | 22,244            |
| Taiwan Dollar                | 7,167          | 8.60%        | 7,782             | 6,552             |
| Thai Baht                    | 1,891          | 9.70%        | 2,074             | 1,708             |
| Turkish Lira                 | 1,203          | 14.60%       | 1,378             | 1,028             |
| US Dollar                    | 286,399        | 9.00%        | 309,938           | 258,866           |
| North America Basket         | 146,379        | 8.70%        | 159,165           | 133,593           |
| Europe ex UK Basket          | 64,782         | 8.70%        | 70,445            | 59,119            |
| Asia Pacific ex Japan Basket | 29,736         | 8.60%        | 32,283            | 27,189            |
| Emerging Basket              | 59,041         | 9.20%        | 64,463            | 53,619            |
| <b>Total Currency*</b>       | <b>888,402</b> | <b>8.40%</b> | <b>963,028</b>    | <b>813,776</b>    |

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

# CITY & COUNTY OF SWANSEA PENSION FUND

## 23. INVESTMENT RISKS (continued)

and as at 31 March 2016:

### Currency Risk (by currency)

| Currency                     | Value (£'000)  | % Change     | Value on Increase | Value on Decrease |
|------------------------------|----------------|--------------|-------------------|-------------------|
| Australian Dollar            | 5,656          | 9.26%        | 6,180             | 5,132             |
| Brazilian Real               | 4,458          | 13.89%       | 5,077             | 3,839             |
| Canadian Dollar              | 8,749          | 7.89%        | 9,439             | 8,059             |
| Danish Krone                 | 2,099          | 6.83%        | 2,242             | 1,956             |
| EURO                         | 90,569         | 6.77%        | 96,701            | 84,437            |
| Hong Kong Dollar             | 9,619          | 7.67%        | 10,357            | 8,881             |
| Indian Rupee                 | 3,315          | 10.28%       | 3,656             | 2,974             |
| Indonesian Rupiah            | 1,841          | 12.46%       | 2,070             | 1,612             |
| Israeli Shekel               | 2,644          | 6.58%        | 2,818             | 2,470             |
| Japanese Yen                 | 50,706         | 11.68%       | 56,628            | 44,784            |
| Mexican Peso                 | 3,050          | 8.25%        | 3,302             | 2,798             |
| Norwegian Krone              | 1,003          | 9.40%        | 1,097             | 909               |
| Chinese Renminbi Yuan        | 9,001          | 7.68%        | 9,692             | 8,310             |
| Peruvian New Sol             | 808            | 7.44%        | 868               | 748               |
| Russian Rouble               | 4,391          | 21.00%       | 5,313             | 3,469             |
| Singapore Dollar             | 4,546          | 6.17%        | 4,826             | 4,266             |
| South African Rand           | 2,620          | 10.31%       | 2,890             | 2,350             |
| South Korean Won             | 9,431          | 7.22%        | 10,112            | 8,750             |
| Swedish Krona                | 3,645          | 7.65%        | 3,924             | 3,366             |
| Swiss Franc                  | 18,804         | 9.95%        | 20,675            | 16,933            |
| Taiwan Dollar                | 5,266          | 6.59%        | 5,613             | 4,919             |
| Thai Baht                    | 799            | 8.39%        | 866               | 732               |
| Turkish Lira                 | 776            | 10.78%       | 860               | 692               |
| US Dollar                    | 204,139        | 7.78%        | 220,021           | 188,257           |
| North America Basket         | 108,446        | 7.43%        | 116,504           | 100,388           |
| Europe ex UK Basket          | 50,577         | 6.46%        | 53,844            | 47,310            |
| Asia Pacific ex Japan Basket | 21,610         | 6.52%        | 23,019            | 20,201            |
| Emerging Basket              | 43,069         | 6.79%        | 45,993            | 40,145            |
| <b>Total Currency*</b>       | <b>671,637</b> | <b>6.14%</b> | <b>712,876</b>    | <b>630,398</b>    |

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

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

## **24. Events After the Balance Sheet Date**

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

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

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

## **25. Further Information**

Further information about the fund can be found in Appendices 2 to 4. Information can also be obtained from the Chief Treasury & Technical Officer, Civic Centre, Oystermouth Road, Swansea SA1 3SN or on [www.swanseapensionfund.org.uk](http://www.swanseapensionfund.org.uk).

## **26. Financial Position**

The accounts outlined within the statement represent the financial position of the City and County of Swansea Pension Fund at 31st March 2017.

# CITY & COUNTY OF SWANSEA PENSION FUND

## Appendix 1

### SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES FOR THE PERIOD 1<sup>ST</sup> APRIL 2016 TO 31<sup>ST</sup> MARCH 2017

| Administering Authority               | Contributors Pensioners Deferred Benefits |                   |                   | Employer Contribution Rate (% of Pensionable Pay) plus additional annual monetary amount |
|---------------------------------------|---|-------------------|-------------------|--|
|                                       | Number @ 31/03/17                         | Number @ 31/03/17 | Number @ 31/03/17 |  |
| City & County of Swansea              | 10,658                                    | 5,289             | 5,385             | 22.4%  |
| <b>Scheduled Bodies</b>               |   |                   |                   |  |
| Neath Port Talbot County Borough      | 5,156                                     | 3,617             | 4,442             | 24.0%  |
| Briton Ferry Town Council             | 1   | 1                 | 1                 | 26.4%  |
| Cilybebyll Community Council          | 6   | 0                 | 1                 | 20.5%  |
| Clydach Community Council             | 0   | 0                 | 1                 | -  |
| Coedffranc Community Council          | 10  | 3                 | 1                 | 19.2% (+ £4,000)   |
| Gower College                         | 458                                       | 237               | 416               | 15.4% (+ £177,500)   |
| Llanrhidian Higher Community Council  | 1   | 0                 | 0                 | 18.2%  |
| Lliw Valley BC                        | 0   | 231               | 23                | -  |
| Margam Joint Crematorium Committee    | 8   | 12                | 5                 | 19.2% (+ £5,000)   |
| NPTC Group                            | 524                                       | 240               | 392               | 14.7% (+ £164,000)   |
| Neath Port Talbot Waste Management    | 0   | 1                 | 0                 | -  |
| Neath Town Council                    | 13  | 15                | 8                 | 19.2% (+ £16,300)  |
| Pelenna Community Council             | 2   | 2                 | 3                 | 25.3%  |
| Pontardawe Town Council               | 5   | 1                 | 0                 | 19.7%  |
| Swansea Bay Port Health Authority     | 1   | 11                | 1                 | 22.4%  |
| Swansea City Waste Disposal Company   | 0   | 16                | 3                 | -  |
| University of Wales Trinity St Davids | 168                                       | 134               | 225               | 22.4% (+ £481,000)   |
| West Glamorgan County Council         | 0   | 2,163             | 256               | -  |
| West Glamorgan Magistrates Courts     | 0   | 38                | 16                | -  |
| West Glamorgan Valuation Panel        | 0   | 5                 | 0                 | -  |
| Ystalyfera Community Council          | 1   | 0                 | 0                 | 15.9%  |
| <b>Admitted Bodies</b>                |   |                   |                   |  |
| BABTIE                                | 0   | 3                 | 12                | -  |
| Celtic Community Leisure              | 230                                       | 32                | 160               | 11.1%  |
| Colin Laver Heating Limited           | 0   | 2                 | 2                 | -  |
| Swansea Bay Racial Equality Council   | 5   | 0                 | 2                 | 34.3%  |
| The Careers Business                  | 0   | 6                 | 9                 | -  |
| Wales National Pool                   | 55  | 3                 | 66                | 14.5%  |
| West Wales Arts Association           | 0   | 2                 | 0                 | -  |
| Capgemini                             | 0   | 1                 | 4                 | -  |
| NPT Homes                             | 421                                       | 69                | 72                | 16.2%  |
| Phoenix Trust                         | 0   | 1                 | 3                 | -  |
| Grwp Gwalia                           | 174                                       | 65                | 72                | 20.4%  |
| Rathbone CCS                          | 2   | 0                 | 2                 | 25.2%  |
| Rathbone Gower College                | 4   | 0                 | 0                 | 28.9%  |
| <b>Total</b>                          | <b>17,903</b>                             | <b>12,200</b>     | <b>11,583</b>     |  |

### Legislative Changes in the Local Government Pension Scheme (LGPS) during 2016/17

**23th September 2016** - DCLG issued the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 [SI 2016/946], effective from 1 November 2016, to facilitate the pooling of investment funds.

**27th May 2016** - DCLG commenced a consultation on draft amendment regulations for the LGPS in England and Wales. Amongst other amendments, the consultation covers Fair Deal and changes to AVC provisions in light of the recent Freedom and Choice reforms. The consultation closed on the 20th August 2016 and a response from the Government is now due.

### Other Impacting Legislation

**4th May 2016** - The Enterprise Act 2016 [2016/12] received royal assent, providing the legislative framework for the introduction of the £95k cap on public service exit payments. HM Treasury regulations need to be produced to provide further detail on how the cap will work in practice (and its implementation date). HM Treasury directions are also expected to provide detail of the circumstances in which the cap may be relaxed by permitted bodies.

**15th September 2016** - the Finance Act 2016 [2016/24] received royal assent reducing the lifetime allowance for the tax years 2016/17 and 2017/18 to £1million and also introduced the new lifetime allowance protections, namely Individual Protection 2016 and Fixed Protection 2016.

**24th January 2017** - HM Treasury issued the Enterprise Act 2016 (Commencement No 2) Regulations 2017 [SI 2017/70], effective from 1st February 2017. The regulations included changes to the Small Business, Enterprise and Employment Act 2015, which enables the £95k exit payment cap to be introduced; however, the commencement order does not bring the exit payment cap into effect itself, but allows the Government to make regulations providing for the introduction of the cap. HM Treasury plan to undertake a further consultation on draft regulations covering the cap before this becomes effective.

**6th March 2017** - the Occupational and Personal Pension Schemes (Automatic Enrolment) (Amendment) Regulations 2017 [SI 2017/79] made provision to add two new circumstances where the employer duties, to automatically enrol and re-enrol eligible jobholders, are turned into a discretion. The circumstances are when Fixed Protection 2016 and Individual Protection 2016 in relation to the lifetime allowance apply to the member.

**28 November 2016** - HM Treasury commenced a consultation that proposes options for the indexation of GMP elements for members of public service pension schemes who will reach SPA on and after 6th December 2018. The consultation period closed on 20th February 2017 and a response is now due from the Government.



### Wales Pension Partnership

In July 2015 the Chancellor announced the Governments' intention to work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance.

The Wales Pension Partnership comprises the 8 LGPS funds in Wales, namely Cardiff & Vale of Glamorgan Pension Fund, City & County of Swansea Pension Fund, Clwyd Pension Fund, Dyfed Pension Fund, Greater Gwent Pension Fund, Gwynedd Pension Fund, Powys Pension Fund and RCT Pension Fund.

The Chancellor has announced that the pools should take the form of up to six British Wealth Funds, each with assets of at least £25bn, which are able to invest in infrastructure and drive local growth.

The submission in respect of the 8 welsh pension funds to create a Wales Investment Pool was approved by Pension Fund Committee on the 4th July 2016.

The Pool will not be a merger of the 8 funds. Each fund will retain its distinct identity and the administering authorities will remain responsible for complying with the LGPS regulations and pension legislation in respect of their members. Annual Statement of Accounts and triennial Actuarial valuations will be prepared for each individual pension fund and each fund will determine its own funding strategy. The Pool will have limited remit and its objectives, as set out in the submission document, will be :

- To provide pooling arrangements which will allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.

The Wales Investment Pool proposal includes the establishment of a Joint Governance Committee comprising elected members from each administering authority, supported by an Officer Working Group. It is also proposed to appoint a Financial Conduct Authority (FCA) regulated Operator to supply the necessary infrastructure for establishing a pooling vehicle and to manage the Pool on behalf of the 8 funds.

Following extensive work by the Authorities, a legally binding Inter-Authority Agreement has now been signed by all 8 funds. Consideration is also being given to the needs of the Pool for specialist legal and investment advice.

The final Invitation to Tender (ITT) was issued in June 2017. The Officer Working Group shall make the recommendation to appoint an operator to the Joint Governance Committee in September 2017.

### Investment Fund Management

The investment of the Fund is the responsibility of the Pension Fund Committee. The Committee as at 31st March 2017 comprised of :

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

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

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

The investment managers currently are:

- Global Equities - JP Morgan Asset Management, L&G and Aberdeen Asset Management
- UK Equities - Schroders Investment Management & Legal & General
- Global Balanced Index Tracking - Legal & General
- Global Bonds - Goldman Sachs Asset Management and Legal & General
- Fund of Hedge Funds - BlackRock and Permal
- Fund of Private Equity Funds - Harbourvest
- European Property Fund - Invesco
- Fund of Property Funds - Partners Group and Schroders Investment Management

### **Other Fund Documents**

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

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

are available on request from the City & County of Swansea Pension Fund website  
<http://www.swanseapensionfund.org.uk/>

# **HEAD OF FINANCIAL SERVICES CERTIFICATE & STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

I hereby certify that the statement of accounts on pages 3 to 153 presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2017.

Ben Smith  
Head of Financial Services

## **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 Head of Financial Services;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

## **The Chief 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 2016/17 Statement of Accounts was authorised for issue on 28th September 2017 by Ben Smith, Head of Financial Services who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

The 2016/17 Statement of Accounts was formally approved by Council on 28th September 2017.

Des Thomas  
Chairman

## **Auditor General for Wales' report to the Members of the City and County of Swansea**

I have audited the accounting statements and related notes of:

- the City and County of Swansea;
- the City and County of Swansea Group; and
- the City and County of Swansea Pension Fund

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

The City and County of Swansea's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The City and County of Swansea Group's accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

The City and County of Swansea Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 195, the responsible financial officer is responsible for the preparation of the statement of accounts, including the City and County of Swansea's Group accounting statements and the City and County of Swansea Pension Fund's accounting statements, which gives a true and fair view.

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

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

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

## **AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA**

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

### **Opinion on the accounting statements of the City and County of Swansea**

In my opinion the accounting statements and related notes:

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

### **Opinion on the accounting statements of the City and County of Swansea Group**

In my opinion the accounting statements and related notes:

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

### **Opinion on the accounting statements of the City and County of Swansea Pension Fund**

In my opinion, the Pension Fund accounts and related notes:

- give a true and fair view of the financial transactions of the City and County of Swansea Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

### **Opinion on other matters**

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

## AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

### Matters on which I report by exception

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

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

### Certificate of completion of audit

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

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales

24 Cathedral Road  
Cardiff  
CF11 9LJ

29 September 2017

## 1. Scope of Responsibility

- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The City and County of Swansea has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the new CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government 2016*'. The revised framework applies to all annual governance statements prepared for the financial year 2016/17 onwards. A copy of the Code can be obtained by contacting the Chief Auditor on 01792 636463 or e-mailing [simon.cockings@swansea.gov.uk](mailto:simon.cockings@swansea.gov.uk). This statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014 to review the effectiveness of its internal control systems at least once a year.

## 2. The Purpose of the Governance Framework

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



- 2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

### **3. The Governance Framework**

- 3.1 The Delivering Good Governance in Local Government Framework 2016 Edition produced by CIPFA and SOLACE (the Framework) defines governance as

*‘Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.’*

The Framework also states that

*‘To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times,*

*Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.*

- 3.2 In local government, the governing body is the full council.

### **4. Background**

- 4.1 The *Delivering Good Governance in Local Government Framework* published by CIPFA and SOLACE in 2007 set the standard for local authority governance in the UK. CIPFA and SOLACE reviewed the Framework in 2015 to ensure it remained fit for purpose and published a revised Framework in spring 2016.

- 4.2 The new *Delivering Good Governance in Local Government Framework* 2016 edition applies to annual governance statements prepared for the financial year 2016/17 onwards.

- 4.3 The new Framework introduces 7 new principles as follows:

- 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 string public financial management.
- G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

4.4 The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure

- Resources are directed in accordance with agreed policies and according to priorities
- There is sound and inclusive decision making
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

4.5 The term local Code of Corporate Governance essentially refers to the approved governance structure in place, as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.

4.6 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework. It should therefore develop and maintain a local Code of Corporate Governance reflecting the principles set out in the Framework.

4.7 It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation and are reflected in behaviour and policy are hallmarks of good governance.

4.8 The Accounts and Audit (Wales) Regulations 2014 require that a review of the effectiveness of the governance arrangements must be undertaken at least annually and reported on within the authority e.g. to the Audit Committee or other appropriate member body and externally with the published accounts of the authority. In doing this, the authority is looking to provide assurance that

- Its governance arrangements are adequate and working effectively in practice

## ANNUAL GOVERNANCE STATEMENT 2016/17

- Where the reviews of the governance arrangements have revealed significant gaps which will impact on the authority achieving its objectives, what action is to be taken to ensure effective governance in future.
- 4.9 In 2016/17 a new Annual Governance Statement Group was established, tasked with the compilation of a revised Code of Corporate Governance, as well as a revised Annual Governance Statement. The Group is comprised of the Head of Financial Services & Service Centre, the Head of Legal, Democratic Services & Business Intelligence, the Chief Internal Auditor and the Business Performance Manager. The Group meets periodically to discuss the governance arrangements of the Council and provides updates to the Audit Committee, the Corporate Management Team and Cabinet when necessary.
- 4.10 The key elements of the policies, systems and procedures that comprise the governance framework in the Council are shown on the pages that follow, linked to the 7 fundamental principles.

## ANNUAL GOVERNANCE STATEMENT 2016/17

| <b>Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>   |  |   |
|---|--|---|
| <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p> |  |   |
| <b>Sub-Principles</b>   | <b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>   | <b>City and County of Swansea - Evidence</b>  |
| <b>Behaving with integrity</b>  | Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation  | <ul style="list-style-type: none"> <li>• Members Code of Conduct in Constitution which reflects Local Authorities (Model Code of Conduct) (Wales) Order 2016</li> <li>• Officers Code of Conduct in Constitution</li> <li>• Member/Officer Protocol in Constitution</li> <li>• Member led authority principles/document</li> <li>• Council Values – people focused, working together and innovation</li> <li>• Whistleblowing Policy</li> <li>• Anti-Fraud and Corruption Policy</li> <li>• Standards Committee</li> <li>• Standards Committee Annual Report presented to Council</li> <li>• Member Dispute Resolution</li> </ul> |
|   | Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Principles of Public Life (the Nolan Principles) |   |
|   | Leading by example and using these standard operating principles or values as a framework for decision making and other actions  |   |
|   | Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively  |   |

## ANNUAL GOVERNANCE STATEMENT 2016/17

| Sub-Principles   | Behaviours and Actions that Demonstrate Good Governance in Practice  | City and County of Swansea - Evidence   |
|--|--|---|
| <b>Demonstrating strong commitment to ethical values</b> | Seeking to establish, monitor and maintain the organisation's ethical standards and performance  | <ul style="list-style-type: none"> <li>• Council Values – people focused, working together and innovation</li> <li>• Contract Procedure Rules</li> </ul>  |
|  | Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation   |   |
|  | Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values  |   |
|  | Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation               |   |
| <b>Respecting the rule of law</b>                        | Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations   | <ul style="list-style-type: none"> <li>• Member and Officer code of Conduct in Constitution</li> <li>• Role of Head of Paid Service, Section 151 Officer and Monitoring Officer established in Constitution</li> <li>• CIPFA statement on the Role of the Chief Financial Officer</li> <li>• Anti-Fraud and Corruption Policy</li> <li>• Audit Committee</li> <li>• Internal Audit Section</li> <li>• Corporate Fraud Team</li> <li>• Internal Audit and Corporate Fraud Annual Reports presented to Audit Committee</li> <li>• External Auditors</li> <li>• Annual Audit Letter</li> <li>• Standards Committee</li> <li>• Whistleblowing Policy</li> </ul> |
|  | Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements |   |
|  | Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders  |   |
|  | Dealing with breaches of legal and regulatory provisions effectively   |   |
|  | Ensuring corruption and misuse of power are dealt with effectively   |   |

# ANNUAL GOVERNANCE STATEMENT 2016/17

| <b>Principle B – Ensuring openness and comprehensive stakeholder engagement</b>  |  |   |
|--|--|---|
| Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders. |  |   |
| <b>Sub-Principles</b>  | <b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>   | <b>City and County of Swansea - Evidence</b>  |
| <b>Openness</b>  | Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness  | <ul style="list-style-type: none"> <li>• Agendas published in advance of meetings</li> <li>• Minutes published following meetings</li> <li>• Decision making process described in Constitution</li> <li>• Forward Plan published on Internet showing key decisions to be made by Council and Cabinet</li> <li>• Consultation and Engagement Strategy &amp; Consultation Toolkit</li> <li>• Annual budget consultation</li> <li>• Publication Scheme</li> <li>• Freedom of Information Scheme</li> <li>• Challenge Panel and call-in procedure</li> <li>• Public questions at Council and Cabinet</li> <li>• Engagement with hard to reach groups such as BME, Disability and LGBT communities. As well as engagement with children and young people to meet the requirement of the UNCRC</li> </ul> |
|  | Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided                       |   |
|  | Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear |   |
|  | Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action   |   |

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| Sub-Principles  | Behaviours and Actions that Demonstrate Good Governance in Practice   | City and County of Swansea - Evidence  |
|---|---|--|
| <b>Engaging comprehensively with institutional stakeholders</b> | Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably  | <ul style="list-style-type: none"> <li>• Public Service Board and One Swansea Plan/Well-Being Plan</li> <li>• Western Bay</li> <li>• ERW</li> <li>• Community Safety Partnership</li> <li>• Partnership agreements.</li> </ul> |
|   | Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively   |  |
|   | Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>• trust</li> <li>• a shared commitment to change</li> <li>• a culture that promotes and accepts challenge among partners</li> </ul> and that the added value of partnership working is explicit |  |

## ANNUAL GOVERNANCE STATEMENT 2016/17

| Sub-Principles  | Behaviours and Actions that Demonstrate Good Governance in Practice  | City and County of Swansea - Evidence  |
|---|--|--|
| <b>Engaging stakeholders effectively, including individual citizens and service users</b> | Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes | <ul style="list-style-type: none"> <li>• Ward role of Councillors</li> <li>• Consultation and Engagement Strategy</li> <li>• 'Have Your Say' consultations on Internet</li> <li>• Residents telephone surveys</li> <li>• Consultation principles and toolkit available on Intranet</li> <li>• Role of Consultation Co-Ordinator</li> <li>• Annual Staff Survey</li> <li>• Complaints Policy and Annual Report</li> </ul> |
|   | Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement  |  |
|   | Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs  |  |
|   | Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account  |  |
|   | Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity   |  |
|   | Taking account of the interests of future generations of tax payers and service users  |  |
|   |  |  |



## ANNUAL GOVERNANCE STATEMENT 2016/17

### Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

| Sub-Principles           | Behaviours and Actions that Demonstrate Good Governance in Practice  | City and County of Swansea - Evidence   |
|--------------------------|--|---|
| <b>Defining outcomes</b> | <p>Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions</p> <p>Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p> <p>Delivering defined outcomes on a sustainable basis within the resources that will be available</p> <p>Identifying and managing risks to the achievement of outcomes</p> <p>Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available</p> | <ul style="list-style-type: none"> <li>• Corporate Plan produced annually in accordance with Local Government (Wales) Measure 2009 and ‘Wellbeing Objectives’ in Wellbeing of Future Generations (Wales) Act 2015</li> <li>• Quarterly &amp; annual Performance Monitoring Reports</li> <li>• Annual Performance Review</li> <li>• Single Integrated Plan produced by Public Service Board</li> <li>• Service Plan produced annually by each Head of Service</li> <li>• Monthly Performance and Financial Monitoring meetings held for each Directorate</li> <li>• Corporate Risk Policy and Framework</li> <li>• Corporate, Directorate and Service Risk Registers</li> <li>• Capital Review Programme and workshops with senior staff managing large scale capital projects to ensure an efficient, coordinated and structured approach to capital projects and the City Deal.</li> </ul> |

## ANNUAL GOVERNANCE STATEMENT 2016/17

| Sub-Principles   | Behaviours and Actions that Demonstrate Good Governance in Practice  | City and County of Swansea - Evidence  |
|--|--|--|
| <b>Sustainable economic, social and environmental benefits</b> | Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision  | <ul style="list-style-type: none"> <li>• Medium Term Financial Plan covering 3 financial years approved annually by Council</li> </ul> |
|  | Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints |  |
|  | Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs                        |  |
|  | Ensuring fair access to services   |  |

## ANNUAL GOVERNANCE STATEMENT 2016/17

| <b>Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes</b>   |  |   |
|---|--|---|
| <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource input while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised</p> |  |   |
| <b>Sub-Principles</b>   | <b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>   | <b>City and County of Swansea - Evidence</b>  |
| <b>Determining interventions</b>  | <p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided</p>                              | <ul style="list-style-type: none"> <li>• Policy development by Policy Development and Delivery Committees</li> <li>• Scrutiny function</li> <li>• Finance, Legal and Access to Services implications in all Council, Cabinet and Committee reports</li> <li>• Results of consultation exercises</li> <li>• Annual Internal Audit consultation exercise</li> </ul> |
|   | <p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p> |   |

## ANNUAL GOVERNANCE STATEMENT 2016/17

| Sub-Principles                | Behaviours and Actions that Demonstrate Good Governance in Practice  | City and County of Swansea - Evidence  |
|-------------------------------|--|--|
| <b>Planning interventions</b> | Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets  | <ul style="list-style-type: none"> <li>• Timetable exists for producing or reviewing plans, priorities etc. on an annual basis</li> <li>• Consultation and Engagement Strategy</li> <li>• Monthly Performance and Financial Monitoring meetings for each Directorate reviews progress and authorises corrective action where necessary</li> <li>• Quarterly and Annual Performance Monitoring reports to Cabinet including achievement of national and local performance indicators</li> <li>• Medium Term Financial Plan</li> <li>• Annual budget setting process in place including consultation exercise</li> </ul> |
|                               | Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered   |  |
|                               | Considering and monitoring risks facing each partner when working collaboratively including shared risks   |  |
|                               | Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances  |  |
|                               | Establishing appropriate local performance indicators (as well as relevant statutory or other national performance indicators) as part of the planning process in order to identify how the performance of services and projects is to be measured |  |
|                               | Ensuring capacity exists to generate the information required to review service quality regularly  |  |
|                               | Preparing budgets in accordance with organisational objectives, strategies and the medium-term financial plan  |  |
|                               | Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy   |  |

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| Sub-Principles                                     | Behaviours and Actions that Demonstrate Good Governance in Practice   | City and County of Swansea - Evidence   |
|--|---|---|
| <b>Optimising achievement of intended outcomes</b> | Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints  | <ul style="list-style-type: none"> <li>• Quarterly Financial Monitoring reports to Cabinet</li> <li>• Mid-Year Budget Statement to Cabinet</li> <li>• Medium Term Financial Plan</li> <li>• Sustainable Swansea – Fit for the Future</li> </ul> |
|  | Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term  |   |
|  | Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage |   |
|  | Ensuring the achievement of ‘social value’ through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is “the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes”               |   |

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### **Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it.**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities

| <b>Sub-Principles</b>                   | <b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>  | <b>City and County of Swansea - Evidence</b>  |
|---|---|---|
| <b>Developing the entity’s capacity</b> | Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness   | <ul style="list-style-type: none"> <li>• Commissioning Review as part of Sustainable Swansea – Fit for the Future strategy</li> <li>• Annual performance review for all staff under the Employee Performance Management Policy. Training and development needs included in review</li> <li>• Service planning process includes workforce planning and this is included in the overarching Workforce Plan</li> <li>• Quarterly financial and performance reports to Cabinet</li> </ul> |
|   | Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently |   |
|   | Recognising the benefits of partnerships and collaborative working where added value can be achieved  |   |
|   | Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources   |   |

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| Sub-Principles  | Behaviours and Actions that Demonstrate Good Governance in Practice  | City and County of Swansea - Evidence   |
|---|--|---|
| <b>Developing the capability of the entity's leadership and other individuals</b> | Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained  | <ul style="list-style-type: none"> <li>• Member/Officer Protocol in Constitution</li> <li>• Scheme of Delegation published in Constitution</li> <li>• Monthly One to One meetings are held involving the Leader. Cabinet Members, Chief Executive, Corporate Directors, Chief Officers, Heads of Service and 3<sup>rd</sup> tier staff</li> <li>• Councillor Training Programme developed based on a Training Needs Assessment</li> <li>• Annual performance review for all staff under the Employee Performance Management Policy. Training and development needs included in review.</li> <li>• Occupational Health and Wellbeing Policy exists with aim of promoting the health and wellbeing of all employees to enable them to achieve their full potential at work</li> </ul> |
|   | Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body  |   |
|   | Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure, whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority |   |

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| Sub-Principles | Behaviours and Actions that Demonstrate Good Governance in Practice  | City and County of Swansea - Evidence   |
|----------------|--|---|
|                | <p>Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>• ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• ensuring personal, organisation and system-wide development through shared learning, including lessons learnt from both internal and external governance weaknesses</li> </ul> <p>Ensuring that there are structures in place to encourage public participation</p> | <ul style="list-style-type: none"> <li>• Mandatory corporate induction course for a new staff</li> <li>• Mandatory courses required for staff</li> <li>• Corporate learning and development courses</li> <li>• Stress and health advice available online</li> <li>• Helping Hands support, information and guidance service.</li> </ul> |



## ANNUAL GOVERNANCE STATEMENT 2016/17

| Sub-Principles | Behaviours and Actions that Demonstrate Good Governance in Practice   | City and County of Swansea - Evidence |
|----------------|---|---------------------------------------|
|                | <p>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p> <p>Holding staff to account through regular performance reviews which take account of training or development needs</p> <p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</p> |                                       |

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| <b>Principle F – Managing risks and performance through robust internal control and string public financial management</b>   |   |  |
|--|---|--|
| <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will ensure financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p> |   |  |
| <b>Sub-Principles</b>  | <b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>  | <b>City and County of Swansea - Evidence</b>   |
| <b>Managing risk</b>   | Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making   | <ul style="list-style-type: none"> <li>• Risk Management Policy and Framework</li> <li>• Corporate, Directorate and Service risk registers</li> <li>• Monthly review of Corporate Risks by Corporate Management Team</li> <li>• Monthly review of Directorate Risks at PFM meetings</li> </ul>   |
|  | Implementing robust and integrated risk management arrangements and ensuring that they are working effectively  |  |
|  | Ensuring that responsibilities for managing individual risks are clearly allocated  |  |
| <b>Managing performance</b>  | Monitoring service delivery effectively including planning, specification, execution and independent post-implementation review   | <ul style="list-style-type: none"> <li>• Corporate Plan produced annually</li> <li>• Annual Performance Report produced</li> <li>• Quarterly performance monitoring report to Cabinet</li> <li>• Annual Service Plan produced by each Head of Service</li> <li>• Scrutiny function</li> <li>• Monthly Directorate Performance and Financial Monitoring meetings</li> </ul> |
|  | Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook |  |

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| Sub-Principles                 | Behaviours and Actions that Demonstrate Good Governance in Practice  | City and County of Swansea - Evidence   |
|--------------------------------|--|---|
|                                | <p>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made, thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p> <p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p> <p>Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements)</p> |   |
| <b>Robust internal control</b> | <p>Aligning the risk management strategy and policies on internal control with achieving objectives</p> <p>Evaluating and monitoring risk management and internal control on a regular basis</p> <p>Ensuring effective counter fraud and anti-corruption arrangements are in place</p> <p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p>  | <ul style="list-style-type: none"> <li>• Audit Committee provides assurance on effectiveness on internal control, risk management and governance</li> <li>• Audit Committee Annual Performance Review</li> <li>• Audit Committee Annual Report to Council</li> <li>• Anti-Fraud and Corruption Policy</li> <li>• Role of Internal Audit Section and Corporate Fraud Team</li> <li>• Internal Audit and Corporate Fraud Annual Plans approved by Audit Committee</li> <li>• Internal Audit and Corporate Fraud Annual Reports to Audit Committee</li> <li>• Annual Governance Statement</li> </ul> |

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| Sub-Principles                            | Behaviours and Actions that Demonstrate Good Governance in Practice   | City and County of Swansea - Evidence   |
|---|---|---|
|   | <p>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>• that its recommendations are listened to and acted upon</li> </ul> |   |
| <b>Managing data</b>                      | Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data  | <ul style="list-style-type: none"> <li>• Data Protection Policy</li> <li>• Information management governance arrangements</li> <li>• Senior Information Risk Officer (SIRO) in place</li> <li>• Information Asset Register</li> <li>• Information sharing guidance published</li> </ul> |
|   | Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies  |   |
|   | Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring  |   |
| <b>Strong public financial management</b> | Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance  | <ul style="list-style-type: none"> <li>• Financial Procedure Rules in Constitution</li> <li>• Contract Procedure Rules in Constitution</li> <li>• Accounting Instructions on Intranet</li> <li>• Spending Restrictions document on Intranet</li> </ul>                                  |
|   | Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls  |   |

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| <b>Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability</b>  |   |  |
|--|---|--|
| <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out it's a Activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p> |   |  |
| <b>Sub-Principles</b>  | <b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>  | <b>City and County of Swansea - Evidence</b>   |
| <b>Implementing good practice in transparency</b>  | Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate   | <ul style="list-style-type: none"> <li>• Reports Authors Protocol exists to ensure consistency in reports</li> <li>• Clear Writing guide published on Intranet</li> </ul>  |
|  | Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand   |  |
| <b>Implementing good practices in reporting</b>  | Reporting at least annually on performance, value for money and the stewardship of its resources  | <ul style="list-style-type: none"> <li>• Annual Statement of Accounts audited by external auditor and approved by Council</li> <li>• Code of Corporate Governance based on CIPFA/SOLACE Framework 2016</li> <li>• Annual Governance Statement</li> <li>• Annual Review of Performance</li> </ul> |
|  | Ensuring members and senior management own the results  |  |
|  | Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement) |  |

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| Sub-Principles                                | Behaviours and Actions that Demonstrate Good Governance in Practice  | City and County of Swansea - Evidence   |
|---|--|---|
|   | <p>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate</p> <p>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations</p>  |   |
| <b>Assurance and effective accountability</b> | <p>Ensuring that recommendations for corrective action made by external audit are acted upon</p> <p>Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon</p> <p>Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</p> <p>Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</p> <p>Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met</p> | <ul style="list-style-type: none"> <li>• External Audit provided by Wales Audit Office</li> <li>• Performance of Internal Audit Section monitored by Audit Committee</li> <li>• Implementation of WAO and Internal Audit recommendations monitored by Audit Committee</li> <li>• Peer Review, Corporate Assessment and Corporate Governance Review action plan monitored by Corporate Management Team</li> <li>• Annual Governance Statement</li> </ul> |

## 5. Review of Effectiveness

- 5.1 The City and County of Swansea has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Chief Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates. The newly formed Annual Governance Statement Group also discuss the governance arrangements in place across the Authority on a regular basis and provide updates to the Audit Committee, the Corporate Management Team and Cabinet when necessary.
- 5.2 The processes for maintaining and reviewing the effectiveness of the governance framework within the Council include the following broad headings.

## 6 Internal Control Self-Assessment

- Each Head of Service has provided a signed **Senior Management Assurance Statement** for 2016/17 which provides assurance over the internal control, risk management and governance framework for their area of responsibility.
- The **Senior Management Assurance Statement** contains 10 questions covering governance issues and requires a 'Yes', 'No' or 'Partly' answer. The vast majority of answers provided by Heads of Service were 'Yes' with a small number of 'Partly' responses. There were no 'No' assurance responses. The main areas where 'Partly' answers were given related to monitoring the implementation of recommendations within Adult Services, limitations of central control given the delegated budgets within Education and the possible impact of interim management structures on controls. However, in each case assurance was provided that sufficient monitoring was in place so as not to pose a risk to governance.

### 6.1 Internal Sources of Assurance

The following provide assurance based on reports covering 2015/16 as the reports for 2015/16 are not yet available. The 2016/17 reports will be reflected in the next Annual Governance Statement.

- The **Annual Performance Review 2015/16** was approved by Cabinet on 20/10/16 in accordance with the publishing requirements of the Local Government (Wales) Measure 2009. The report showed the results of each performance measure for the 5 Key Priorities ('Improvement Objectives') set out in the Corporate Plan 2015/17 '*Delivering for*

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Swansea'. The results showed that the Council was 'mainly successful' in achieving the performance measures for 5 of the Key Priorities and 'partially successful' in achieving 1 of the Key Priorities.

- The **Standards Committee** met on 4 occasions during 2016/17 and the **Standards Committee Annual Report 2015/16** was presented to Council on 28/07/16. The report described the work of the Committee during 2015/16 including investigations into breaches of the Member's Code of Conduct, annual discussions with Political Group Leaders, Committee Chairs and the Chief Executive, meetings with Community/Town Councils and letters sent by the Committee to the Public Services Ombudsman for Wales.
- The **Corporate Complaints Policy** was in place throughout 2016/17 and the **Corporate Complaints Annual Report 2015/16** was presented to Cabinet on 20/10/16. The Annual Report noted that 2015/16 was the busiest ever recorded for the Complaints Team with a 28% increase in the number of complaints and requests for service handled by the team. Requests for information also increasing by 9.5% in the year. The report also highlighted a number of service improvements which had been introduced as a result of compliant investigations.
- The **Internal Audit Annual Report 2015/16** was reported to the Audit Committee on 30/08/16 and included the Chief Auditor's opinion that based on the audit reviews undertaken in 2015/16, Internal Audit can give reasonable assurance that the systems of internal control were operating adequately and effectively and that no significant weaknesses were identified.
- The **Audit Committee Annual Report 2015/16** was presented to Council on 22/09/16 and outlined the assurance the Committee had gained over control, risk management and governance from various sources over the course of 2015/16.
- The **Scrutiny Programme Committee and Panels** met throughout 2016/17 and were supported by the Scrutiny Support Unit. The **Scrutiny Annual Report 2015/16** was presented to Council on 28/07/16. The report highlighted the work carried out by Scrutiny, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. The report also provided a summary of some of the things that had been done in year to address the 6 improvement outcomes identified in the 2014/15 report. Two further areas for improvement were also identified to be addressed in 2016/17.
- The **Annual Performance Monitoring Report 2015/16** was approved by Cabinet on 21/07/16 which presented the detailed performance results for 2015/16. In summary, 51 (59%) indicators that had targets set met their targets. 41 (68%) comparable indicators also showed improvement compared to 2014/15. The results of the review are used to inform executive decisions on resource allocation and to take corrective action to improve performance and efficiency.
- The **One Swansea Plan** and Delivery Framework 2015 '*Place, People, Challenges and Change*' were endorsed by the Local Service Board on 15/09/15 as the **Single Integrated Plan**. The purpose of the Plan is to improve the wellbeing of people in Swansea by ensuring that professionals



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and the public work together. The Plan is developed by the Local Service Board which includes the main public service agencies for the area and representatives of the voluntary and business sector.

The following provides assurance based on reports covering 2016/17

- The **Corporate Plan 2016-17** '*Delivering for Swansea 2016/17*' produced in accordance with the Local Government (Wales) Measure 2009 and the 'Wellbeing Objectives' under the Wellbeing of Future Generations (Wales) Act 2015 was approved by Cabinet on 17/03/16. The Plan describes the Council's vision for Swansea, the 5 key Council priorities and the organisation values and principles that will underpin the delivery of the priorities and the overall strategy.
- The **Well-Being Statement for 2017/18** setting out the well-being objectives for the Council as required by the Well-Being of Future Generations (Wales) Act 2015 was approved by Cabinet on 16/03/17. The Council's 5 key priorities as set out in the Corporate Plan 2016/17 have been carried forward into 2017/18 as the Council's Well-Being Objectives.
- The adoption of the **Council Constitution** was reaffirmed at the Annual Meeting of the Council on 19/05/16. Various reports have been approved by Council throughout 2016/17 making changes to the Constitution.
- The **Audit Committee** met on 12 occasions during 2016/17 and followed a structured workplan which covered all areas of the Committee's responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes a lay member as required by the Local Government (Wales) Measure 2011. The lay member is also the Chair of the Committee.
- The **Scrutiny Programme Committee** met on 14 occasions in 2016/17 and had overall responsibility for the scrutiny function.
- The annual **Scrutiny Work Planning Conference 2016/17** was held on 12/05/16 and a report on the **Scrutiny Work Programme 2015/16** was agreed by the Scrutiny Programme Committee on 13/06/15.
- The **Constitution Working Group** met twice during 2016/17 to consider issues relating to school reorganisation requiring a change to the Council Constitution and nominations to the office of Lord Mayor and Deputy Lord Mayor including changes to protocol.
- The **Medium Term Financial Plan 2018/19 – 2020/21** was approved by Council on 23/02/17. The Plan outlined the significant shortfall in funding faced by the Council over the period and the strategy to be adopted to address the shortfall as well as the inherent risks to the success of the adopted strategy.
- The **Corporate Risk Management Policy and Framework** operated throughout 2016/17. In addition, both the Policy and Framework were in the process of being reviewed and updated during 2016/17. Audit Committee are due to be consulted on the updated documents on the 20/06/17.
- 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.

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- Quarterly **Performance Monitoring Reports** were presented to Cabinet during 2016/17 which provided detailed performance tables and identified the Council's performance outturn for the indicators which had been selected for their suitability to measure performance against the Council's 5 key priorities.
- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2016/17. The reports identified a potential revenue budget overspend at year end based on available information and stressed the need for expenditure to be contained within the budget set by Council.
- A **Mid Term Budget Statement 2016/17** was presented to Council on 01/11/16 which provided a strategic and focussed assessment of the current year's financial performance and an update on strategic planning assumptions over the next 3 financial years. The conclusion of the Statement was that the Council would struggle to deliver within the overall resources identified to support the budget in 2016/17. The likely projected outturn was dependent upon the willingness and ability of the Council to reduce and restrict ongoing expenditure across all areas.
- All reports presented to Cabinet and Council during 2016/17 had been reviewed by Finance, Legal and Access to Services staff and included the appropriate paragraphs detailing the **Financial, Legal and Equality and Engagement Implications** of the report.
- The **Pension Fund Committee** met on 6 occasions during 2016/17 and dealt with all issues relating to the governance of the Pension Fund.

## 6.2 External Sources of Assurance

- The Wales Audit Office undertook a **Corporate Assessment** of the Council in November 2014. The assessment sought to answer the question *'is the Council capable of delivering its priorities and improved outcome for citizens?'* The **Annual Improvement Report 2014/15** which incorporated the Corporate Assessment report was presented to Council on 23/07/15 and concluded that *'the Council can demonstrate improvement across a range of key services and has developed a clear framework for managing future challenges'*. The report made the following proposals for improvement.
- The Wales Audit Office undertook a **Corporate Assessment follow up** exercise in 2016/17 to review progress against the proposals for improvement noted above. The report issued in July 2016 focused on performance management arrangements and concluded that the Council is making clear progress in developing its performance management arrangements and understands what needs to be done to improve its prospects for further improvement. The **Annual Improvement Report 2015/16** incorporated the findings from the review of performance management arrangements and was presented to Council on 24/11/16. The Wales Audit Office is due to look at governance arrangements during 2017/18.
- The **Wales Audit Office Annual Improvement Report 2015/16** was presented to Council on 24/11/16. The report concluded that *'the Council has continued to improve in its priority areas and its arrangements are*

*likely to support future improvement*'. During the course of the year, the Auditor General did not make any formal recommendations. However, a total of 6 proposals for improvement were made which will be addressed by the Council.

- The Council invited the WLGA to facilitate a **Peer Review** in September 2014. The Peer Review had 3 key areas of focus i.e. Delivery, Change and Governance which were felt to be critical to organisational development and delivery in challenging times. The Peer Review identified both areas of strength and areas for improvement and made 20 recommendations in its report. The Council prepared an action plan to address the recommendations which was approved by Cabinet on 14/04/15. The Director of Corporate Services provided a **Peer Review Progress Update** to the Audit Committee on 19/04/16 which, for each of the 3 key areas of focus, identified what had been achieved and what was still to do. It was recognised that substantial progress had been made although there was still work to do and that going forward it was important to evaluate the impact of the actions taken.
- One of the results of the Corporate Assessment and Peer Review was that the Head of Legal, Democratic Services and Business Intelligence was tasked with undertaking a review of the Council's governance arrangements. To provide external assurance, the WLGA were asked to complete a **Corporate Governance Review**. The final report was presented to the Audit Committee on 28/06/16 with the overall conclusion that there were no significant flaws in the governance arrangements but there were improvements that could be made.
- The findings from the WLGA report were added to the Peer Review/Corporate Assessment Action Plan. A number of the actions were completed during 2016/17 and work will continue in 2017/18 to ensure all findings are addressed.
- The Wales Audit Office undertook a **Financial Resilience Assessment** of all Local Authorities across Wales including the City and County of Swansea. The review concluded that the Council has improved medium-term financial planning, but the pace at which planned savings are being made is too slow and accountability for delivering all savings proposals had yet to be resolved when the report was presented to Audit Committee on 20/09/16. Overall, the review concluded that the financial planning, control and governance arrangements were at medium risk.
- A **Savings Planning Review** was also undertaken by the Wales Audit Office during 2016/17 which was issued in March 2017. The review concluded that whilst the Council has a sound financial planning framework it recognises the delay in delivering savings plans to required timescales presents risks to its financial resilience. The review made one proposal for improvement which will be addressed in 2017/18.
- The Appointed Auditor's **Annual Audit Letter 2015/16** was issued in November 2016 and presented to the Audit Committee on 03/01/17. The letter stated that *'The Council complied with its responsibilities relating to financial reporting and use of resources'*. The letter also stated that an unqualified audit opinion had been issued on the accounting statements confirming that they present a true and fair view of the Authority's and the

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Pension Fund's financial position and transactions. The letter also stated that *'The Auditor General for Wales is satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources'*.

- The Wales Audit Office on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2015/16** to Audit Committee on 20/09/16 and to Council on 22/09/16. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The report concluded that the Auditor General intended to issue an unqualified audit report on the financial statements for both the City & County of Swansea and the City and County of Swansea Pension Fund.
- The Wales Audit Office has delayed the issue of the **Certificate of Compliance** in relation to the audit of the Corporate Plan 2017/18 as the Council plans to act to comply with Local Government Measure 2009 arrangements by September 2017. The assessment is therefore scheduled to take place in August 2017.
- The Council is subject to **Statutory External Inspections** by various bodies including Wales Audit Office, ESTYN and CSSIW. ESTYN inspected 17 educational establishments during 2016/17 with inspection reports being provided to the Governing Body in each case. Work continued in 2016/17 to implement the 5 recommendations arising from ESTYN's Education Services for Children and Young People Inspection Report 2013/14. Progress reports were made to Cabinet throughout the year with the most recent report on 15/12/16 reporting that 1 recommendation had an Amber status (limited progress) and 4 had a Yellow status (good progress).

6.3 The Annual General Meeting of the Council held on 19/05/16 appointed the required number of Councillors to sit on the Boards of the companies included in the Council's Statement of Accounts. A change was made to the representatives on the Inter Authority Agreement for Food Waste board on 01/11/16.

6.4 The Council has partnership arrangements in place with the Wales National Pool Swansea, National Waterfront Museum Swansea, Liberty Stadium and the LC. In addition, partnership arrangements are also in place with the 360 Beach and Watersports Centre, Swansea Indoor Bowls Centre and Swansea Tennis 365 but there is no Council representation on the Board and the Council's financial contribution is nil or limited. The performance of these bodies is regularly monitored.

6.5 The review of the governance arrangements which operated for 2016/17 in the City and County of Swansea has shown that in general they provide a sound system and there are no suggestions that major issues exist.

6.6 The evidence gathered as part of the governance review for 2016/17 i.e. the Internal Control Self-Assessment and the review of internal and external sources of assurance supports the view that the governance arrangements

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continue to be fit for purpose although a small number of issues were identified where improvements can be made which are highlighted in Section 7.

- 6.7 We have been advised on the implications of the result of the review of the effectiveness of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## 7 Significant Governance Issues

- 7.1 The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement 2015/16 and the action taken during the year to address the issues.

| Issue  | Proposed Action  | Action Taken   |
|--|--|--|
| 1. The Council's Code of Corporate Governance should be updated to ensure compliance with the core and sub principles contained in the revised CIPFA/SOLACE Delivering Good Governance in Local Government Framework | The Code of Corporate Governance is to be reviewed in line with the CIPFA/SOLACE Guidance Notes for Welsh Authorities due to be published in September 2016. | The Code of Corporate Governance was updated in line with the CIPFA/SOLACE Guidance. The Annual Governance Statement for 2016/17 is based on the new Code of Corporate Governance. |
| 2. There are potential governance issues as a result of the proposals  | The transition to the new Business Support model will be carefully managed to ensure it is managed effectively   | Full Council agreed a new structure in March 2017 for implementing the new model of business   |

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| <p>for the new Business Support model across the Council arising from the Corporate Services Commissioning Review.</p> | <p>and any changes will have due regard to governance, corporate grip and control.</p>   | <p>support.</p> <p>The WAO undertook a Governance themed review of all Councils in Wales and in Swansea during Nov 16. The purpose of the review was to provide assurance that Councils' governance arrangements are well-placed to respond to future challenges and to identify opportunities to strengthen them. The focus of the review was on Councils' governance arrangements for determining service changes. The main question the review sought to answer was:</p> <ul style="list-style-type: none"> <li>• Does the Council have effective arrangements in place to ensure good governance when determining service changes?</li> </ul> <p>In Swansea, WAO focussed their study on the Council's commissioning process as the main means of implementing service change. The Council is waiting for the report to be published.</p> |
| <p>3. A system should be developed to record relevant delegated decisions made</p>                                     | <p>An appropriate system will be developed to record delegated officer decisions which could include the use of financial thresholds</p> | <p>The Head of Legal, Democratic Services and Business Intelligence commenced a review of this in 2016/17 which is due to be concluded in</p>   |

## ANNUAL GOVERNANCE STATEMENT 2016/17

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| <p>by officers.</p>  | <p>to ensure consistency across the Council and agreement between Cabinet Members and relevant officers on which delegated decisions should be recorded.</p> <p>The agreed system will be implemented by publishing relevant decisions on the Council website.</p>   | <p>2017/18.</p>   |
| <p>4. The process for producing the Annual Governance Statement should be reviewed to broaden the officer contribution to the process and to ensure that it is a live process throughout the year rather than a retrospective year-end process</p> | <p>A representative group from across the Council will be set up to meet regularly to review the Annual Governance Statement.</p> <p>The group will review the current Annual Governance Statement to identify where the format can be improved to promote a wider understanding and ownership of the Statement.</p> | <p>The Annual Governance Statement Group was set up in 2016/17, tasked with the compilation of a revised Corporate Code of Governance and Annual Governance Statement. The Group meet regularly to discuss governance issues provides updated to the Audit Committee, the Corporate Management Team and Cabinet when necessary.</p> |

7.2 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 2017/18 to address the issues.

## ANNUAL GOVERNANCE STATEMENT 2016/17

| Issue  | Proposed Action  |
|--|--|
| Regionalisation and associated governance issues                             | Senior Officers time will continue to be devoted to developing regional working and joint committee structures, particularly in relation to the City Deal and any other emerging work. Work in this area is ongoing and will continue into 2017/18.  |
| Major Projects (including Capital Schemes)                                   | Significant Officer time will continue to be committed to relevant projects in 2017/18. Wider issues in relation to support to schemes from a Legal, Finance, Procurement and Governance view point will be reviewed and address during 2017/18 in line with the ongoing Capital Commissioning Review.   |
| Ongoing Council restructures and consideration of remaining Officer Capacity | Senior Officers are aware of the governance risks resulting from continued and ongoing reductions in resources. This will be monitored throughout 2017/18. The retention of the Director of Resources position will ensure overall corporate governance and control issues are identified and addressed where necessary. The roles of the Section 151 Officer and the Director will continue to be split to ensure adequate segregation is in place and to allow for arrangements to be effectively challenged throughout 2017/18. |
| Risk Management  | A new risk policy and framework will be reported to Council for adoption, which will then be implemented during 2017/18.   |
| Public Service Board management and co-ordination                            | Current post-holders are leaving / going to different job. A temporary co-ordinator will be appointed for 1 year after which there will be a review.   |



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|---|--|
| Wales Audit Office Improvement Plan 2015/16 – proposals for improvement       | The proposals made by the Wales Audit Office will continue to be addressed during 2017/18. |
| Wales Audit Office Savings Planning Review 2016/17 – proposal for improvement | The proposal made by the Wales Audit Office will continue to be addressed during 2017/18.  |

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

Signed ..... Chief Executive

Date .....

Signed..... Leader

Date .....

## **GLOSSARY OF TERMS**

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

### **Accrual**

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

### **Actuary**

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

### **Agency Services**

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

### **Amortised Cost**

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

### **Associate**

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

### **Audit**

An audit is an independent examination of our activities.

### **Balance Sheet**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital Expenditure**

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

# **GLOSSARY OF TERMS**

## **Capital Receipts**

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

## **Cash Equivalents**

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

## **Cash flow Statement**

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

## **Consolidated Balance Sheet**

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

## **Corporate and Democratic Costs**

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

## **Credit Risk**

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

## **Creditor**

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

## **Current Assets**

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

## **Current Liabilities**

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

## **Debtor**

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

## **Depreciation**

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

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

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

# GLOSSARY OF TERMS

## **Earmarked Reserves**

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

## **Financial Year**

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

## **Finance Leases**

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

## **Fixed Asset**

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

## **Gilt Edged Stocks**

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

## **Government Grants**

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

## **Housing Revenue Account**

This account contains all our housing income and spending.

## **Investments**

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

## **Joint Venture**

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

## **Leasing**

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

## **Liability**

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

# **GLOSSARY OF TERMS**

## **Liquidity Risk**

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

## **Minimum Revenue Provision (MRP)**

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

## **National Non-Domestic Rates (NNDR)**

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

## **Net Realisable Value**

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

## **Non Distributable Costs**

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

## **Operating leases**

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

## **Precepts**

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

## **Provision**

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

## **Public Works Loan Board (PWLB)**

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

## **Related party transactions**

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

## **Reserves**

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

## **Revaluation Reserve**

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

# GLOSSARY OF TERMS

## **Revenue account**

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

## **Scheduled organisation**

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

## **Securities**

These are investments such as stocks, share and bonds.

## **Stocks**

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

## **Subsidiary**

An entity is a subsidiary of the reporting authority if:

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

## **Temporary Borrowing or Investment**

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

## **Transfer value**

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

## **Trust Funds**

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

## **Unit Trusts**

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

## **Venture Capital Units**

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

## **Work in Progress**

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