

# Statement of Accounts 2009/10



City and County of Swansea ● Dinas a Sir Abertawe

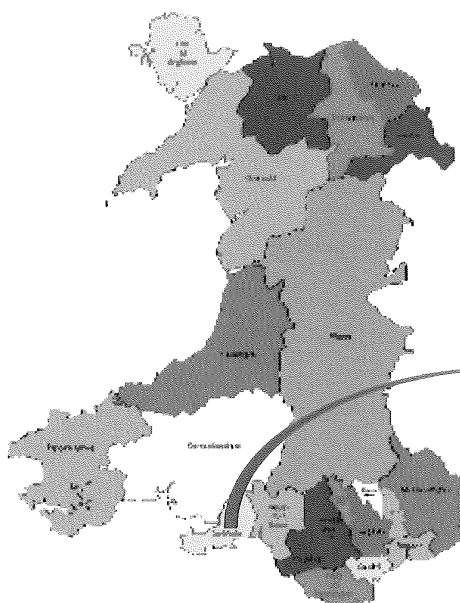
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## INTRODUCTION

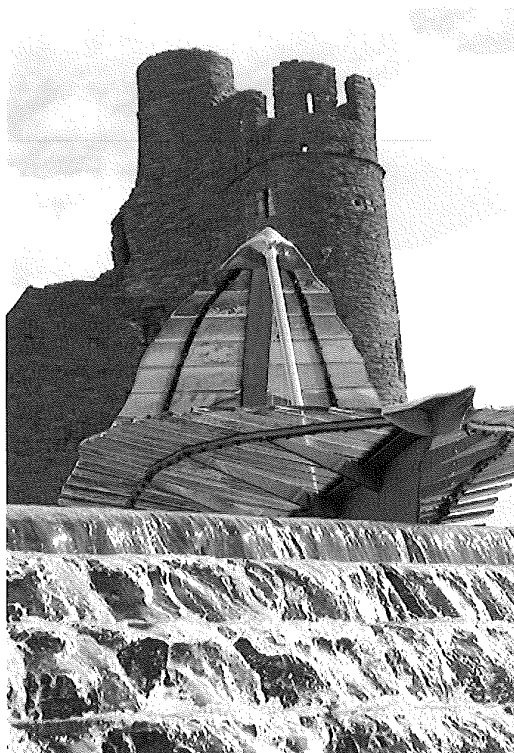
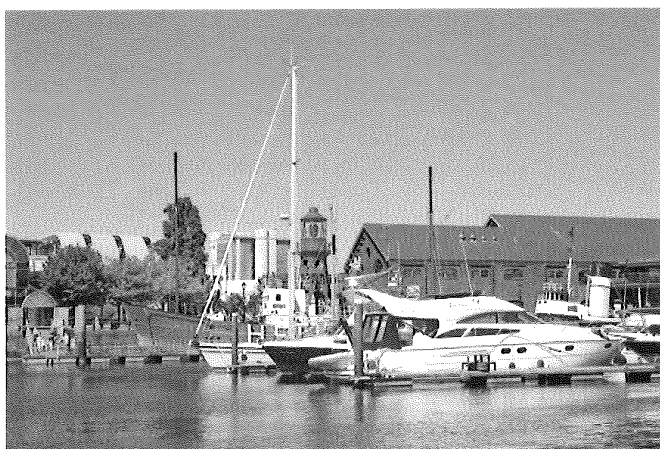


The City & County of Swansea is located on the South Wales Coast and is one of twenty two unitary local authorities providing local government services in Wales.

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

Approximately 231,300 people live within the boundaries of the Authority of which:

- 39,900 are aged under 16
- 49,700 are of pensionable age
- 20,500 are aged 75 years and over



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

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

Copies of these accounts can be obtained from:

The Head of Finance  
City & County of Swansea  
Civic Centre  
Swansea  
SA1 3SN

## EXPLANATORY FOREWORD

**This booklet summarises the Council's accounts for the year 2009/2010 and contains:**

- \* The statement of accounting policies which shows the basis on which we have prepared the accounts and the principles the Council has adopted.
- \* The income and expenditure account, which shows the income from, and spending on, council services for the year. It also shows how much money we get from the Welsh Assembly Government, business ratepayers and council tax payers together with the net deficit / surplus for the year.
- \* The Statement of Movement on the General Fund Balance reconciles the net expenditure in the Income and Expenditure Account with the income and expenditure that is required to be taken into account in determining the Council's Budget Requirement and its Council Tax demand, which are determined in accordance with statute and non-statutory proper practices rather than in accordance with UK Generally Accepted Accounting Principles (UKGAAP).
- \* The statement of total recognised gains and losses which summarises all the Council's gains and losses for the year including its overall level of reserves.
- \* The balance sheet, showing a snapshot of the Council's financial position at the 31<sup>st</sup> March 2010.
- \* The cash flow statement, which shows transactions for the year on a cash basis rather than on an accruals basis.
- \* The housing revenue account (HRA), 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 Council's income and expenditure account.
- \* Where appropriate the above main accounting statements are followed by notes explaining the basis of many of the entries made.
- \* An extract of the pension fund accounts, which show all contributions received and benefits paid for the year together with a snapshot of the financial position of the fund at the year end.
- \* The group accounts, which show the consolidated accounts of the Council and its group companies.
- \* The certificate and statement of responsibilities of the Executive Director 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 Council.
- \* The auditor's opinion and certificate relating to the Statement of Accounts.

## **EXPLANATORY FOREWORD**

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

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

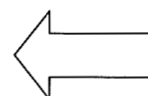
**Capital expenditure** covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing, capital grants and sale of fixed assets. Amounts borrowed for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

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

## EXPLANATORY FOREWORD

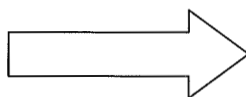
### Revenue spending in 2009/10

	£'m	%
Revenue support grant	231.4	33
Non domestic rates	62.6	9
Council tax	92.6	13
Other income (rents, fees and charges, specific grants)	314.4	45
	701.0	100



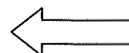
**Where our  
money comes**

**What we spend it on**



	£'m	%
Employees	300.2	43
Capital charges	33.2	5
Running costs	347.2	49
Precepts/Levies	24.9	4
Reserve transfers	-4.5	-1
	701.0	100

	£'m	%
Education & Children's Services	255.3	36
Adult Social Services	90.7	13
Highways/transport	31.4	4
Culture, environment & planning	108.3	15
Housing	142.8	20
Precepts/levies	24.9	4
Reserve transfers	-4.5	-1
Other	52.1	7
	701.0	100



**And the services  
it provides**

## ***EXPLANATORY FOREWORD***

### **Revenue outturn compared to the Council's budget**

#### **Council services**

The revenue outturn position of the Council for 2009/10 resulted in an increase in expenditure on services of £11.925m over the original budget set by the Council as adjusted for carry forward and other items during the year.

The major area of overspend related to the provision of Children's Social Services (£9.156m) which has largely arisen through an unprecedented rise in the caseload handled by the department resulting in substantial increases in the number (and hence cost) of looked after children and associated legal costs.

Other significant increases included substantial overspends in the areas of Adult Social Services Domiciliary and residential care costs (again linked to increased demand) resulting in an overspend of £2.412m in this area.

Other significant variances included significant shortfalls in rental and car park income (£1.1m) and increased costs associated with waste disposal (£1.3m).

During the year considerable effort was put in to mitigate the effects of these overspends resulting in significant savings in some areas resulting in the net overspend position of £11.925m as detailed above.

#### **Other budget variations**

During 2009/10 the Council pursued claims against HM Revenue and Customs relating to the recovery of input tax on certain services which had at the time been correctly declared by predecessor Councils. Changes in case law allowed a limited time frame in which the Council was able to pursue these claims. The result of the claims was a net receipt of £3.174m in 2009/10 which has been credited to the Income and Expenditure Account and partly offsets the above overspend.

Further savings arose through increased Council tax income (£0.572m), the non payment of the budgeted pay award for 2009/10 totalling £1.465m and reductions in capital and interest charges of £1.024m

#### **Housing Revenue Account**

The Housing revenue Account of the Council is a ring fenced account dealing exclusively with income and expenditure arising from the Council's housing stock. The net position on the fund for 2009/10 resulted in a net increase in HRA reserves at year end of £0.737m (2008/09 £1.075m).



## EXPLANATORY FOREWORD

### Capital spending in 2009/10

	£'000
External borrowing	14,178
Government grants	29,352
European grants	350
Other grants/contributions	1,403
Capital receipts	3,641
Revenue and reserves	9,870
Unfinanced	-59
	58,735

**Where our money comes from**

**What services we spend it on**

	£'000
Education	7,785
Social Services	822
Environment	17,653
Culture & Recreation	1,382
Housing	26,924
Community Leadership	223
Business Improvement & Efficiency	1,337
Economic & Strategic Development	982
Finance	1,223
Community Regeneration	404
	58,735

**Some of the assets it provided**

<b>Education</b>	£'000	<b>Highways and Transportation</b>	£'000
Pontardulais Primary School	580	Local Roads Maintenance Grant schemes	890
Penyrheol Secondary School	2,625	Metro - Morriston	2,914
Birchgrove Primary School	818	Highways Carriageways	1,472
YGG Pontybrenin	610	Quadrant Interchange	3,373
Llanrhidian Primary School	813		
Schools Capital Maintenance	2,464		
		<b>Other Services</b>	
<b>Housing</b>		Tir John Landfill Site	3,648
Council House Adaptations	2,763	Guildhall Refurbishment	2,458
Hafod Renewal Area	2,009	Refuse vehicles	564
Housing Disabled Facilities Grants	3,420	Waterfront Walkway Phase 1	855
Boiler replacements	1,830	Telecare Equipment	581
Wind & Weatherproofing	3,087	Melyn Mynach Development	1,223
Window replacement	1,019	Payroll Development	1,090
Lift replacement	1,294	Other Buildings Capital Maintenance	1,565

## ***EXPLANATORY FOREWORD***

### **Reserves, Balances and Provisions**

The Council maintains a number of provisions and reserves, details of which are given on pages 62 to 64.

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 Council's best estimate of the financial liability as at 31<sup>st</sup> March.

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

At the end of the year, the Council's Revenue reserve balances and provisions amounted to £86.287m (2008/09 £88.418m), whilst the Useable Capital Receipts Reserve stood at £17.644m (2008/09 £11.326m).

### **Financial Reporting Standard 17 Retirement Benefits (FRS17)**

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 Council's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Council's share of the Pension Fund liability as at 31st March 2010 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 makes recommendations to the various admitted bodies as to the appropriate rate of employers contributions that need to be made in order to restore the fund to a balanced position over a period of time. The contribution rate used in 2009/10 relates to the valuation undertaken on 1<sup>st</sup> April 2007.

The Local Government Pension Scheme is a statutory scheme and, as such, benefits accruing under the scheme can only be changed by legislation. The Department for Communities and Local Government legislated for a new scheme which commenced in April 2008 which was designed to have a material and beneficial effect on the projected cost of the scheme over future years.

### **Group Accounts**

The 2009/10 Statement contains Group Accounts which show the consolidated position of the City & County of Swansea and its subsidiary/related companies.

## ***EXPLANATORY FOREWORD***

Comparative figures for previous years have been shown for consistency. These are shown on pages 105 to 121 of this statement.

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

The 2009 Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) governs the items to be disclosed in the Statement of Accounts, and makes certain changes for 2009/10.

The relevant changes made, that are applicable to Wales, relate to:

- a) Changes in the requirements for accounting for NNDR. There is now a requirement that billing authorities recognise their indebtedness with the Welsh Assembly Government, rather than with taxpayers as Councils are acting as agents to the Government. Refer to notes 5 and 6 to the balance sheet.
- b) In terms of Council Tax income, clarification that the Police Authority are major preceptors and consequently Council Tax income should be shown as gross income in the Statement of Accounts with Precepts paid to major preceptors being represented as expenditure. Refer to note 14 to the Income and Expenditure Account.
- c) The provisions of IFRIC 12 - Service Concession Arrangements have been incorporated into the SORP for 2009/10. The requirements apply to all PFI contracts and other similar arrangements in existence at 31/03/2009 and typically result in assets being brought onto the balance sheet with a matching liability for the financing provided by the operator. The Council has not made any adjustment in respect of the interpretation.
- d) Clarification in respect of the disclosure of long-term financial liabilities - requiring those liabilities that are due to be settled within 12 months of the Balance Sheet date being presented in current liabilities.
- e) Four disclosure notes have been removed that are relevant to the Council, namely those relating to Section 137 expenditure, expenditure on publicity, the building control account and the Local Authorities Goods and Services Act 1970.
- f) Changes in the disclosures in respect of officers' remuneration. Those officers whose remuneration exceeds £60,000 per year are shown in bands of £5,000 (rather than £10,000 as in previous years). There are additional disclosures for the Head of Paid Service and Chief Officers and any other persons which have responsibility for the management of the Council where those persons have the power to direct or control the major activities of the Council, particularly in respect of activities involving expenditure of money. Also, those individuals whose salary exceeds £150,000 are required to be identified by name.

### **Further information**

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

## STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010.

It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts have been prepared on a historical cost basis, with the exception of certain categories of fixed 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 SORP.

### 2. Debtors and Creditors

The sums in the income and expenditure account are mainly recorded on an accruals basis. This means that all sums due to or from us in the year of account are included irrespective of whether the cash has been received or paid. In certain cases, where actual figures are not known and significant amounts are involved, the figures have been estimated. Any areas of income or expenditure not accrued are not considered material in respect of the Authority's accounts.

At the year end, a calculation is made of the amount overpaid to claimants in respect of housing benefits. Where this overpayment is being recovered from ongoing benefit payments, no debtor is established in the accounts, and the amounts recovered are treated as cash income in the year of receipt.

Where appropriate, provision has been made in the accounts in respect of bad and doubtful debts.

### 3. Tangible Fixed Assets

- i. Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.
- ii. **Recognition:** Expenditure on buying, constructing or improving fixed assets is treated as capital expenditure provided the fixed assets are useful to us for a period of more than one year. The expenditure on routine repairs and maintenance of fixed assets is charged directly to the service revenue accounts.
- iii. **Measurement:** Fixed property assets are valued on the basis recommended by the SORP and the Royal Institute of Chartered Surveyors' 'Appraisal and Valuation Standards'. All fixed property assets have been valued by the Council's internal valuers, who are all MRICS accredited.

## **STATEMENT OF ACCOUNTING POLICIES**

Operational assets – infrastructure assets, council dwellings, other land and buildings and community assets

Non-operational assets – investment properties and surplus land.

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements - lower of net current replacement cost or net realisable value

- dwellings, other land and buildings, vehicles, plant and equipment - lower of net current replacement cost or net realisable value in existing use. Council dwellings have been valued on the Existing Use for social housing basis (EUV-SH) as defined by the RICS' Appraisal and Valuation Standards. This method values Council Houses on the basis of discounted future revenue streams offset by projected future discounted revenue and capital maintenance costs. The key assumption in this valuation method is that the properties will continue to be used for social housing purposes and that, as such, there is an effective cap on the levels of revenue (and hence returns) that could be generated through the ownership of these assets.

- infrastructure assets and community assets - depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties - existing use value
- specialised operational properties - depreciated replacement cost
- investment properties and surplus assets - market value.

- iv. Revaluations of all fixed assets taken place over a five year rolling programme. It is planned to continue with the 5 year rolling programme of revaluations and additionally valuations will be undertaken as a result of material changes to assets for which values will be adjusted as and when they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

- v. **Impairment (reduction in value):** Fixed assets that are reviewed for impairment at the end of each reporting period for evidence of reductions in value. Examples of events and changes in circumstances that indicate a reduction in value may have occurred include:-

## **STATEMENT OF ACCOUNTING POLICIES**

- Evidence of obsolescence or physical damage to the fixed asset
- A significant adverse change in the statutory or other regulatory environment in which the operates
- A commitment by the Authority to undertake a significant reorganisation

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account. Otherwise it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.
- Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**vi Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, and accounted for on an accruals basis. Usable capital receipts can only be used to finance new capital investments (or be set aside to reduce the borrowing requirements).

Usable capital receipts from Housing Revenue Account (HRA) assets are reserved for reinvestment in council housing.

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

**vii. Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## STATEMENT OF ACCOUNTING POLICIES

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to reflect charges in respect of debt principal repayment which it deems prudent (the Council deem an amount equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

#### 4. Revenue Expenditure Funded From Capital Under Statute

Revenue Expenditure Funded From Capital Under Statute represents capital payments from which no fixed asset is created. One example is renovation grants for private individuals, as the expenditure is incurred on an asset which does not ultimately belong to the Council. All such expenditure will be charged against the relevant service line in the Income and Expenditure Account and subsequently reversed out within the Statement of Movement on the General Fund Balance to leave a net nil effect on the Council's reserves.

Where specific funding has been received in respect of this expenditure it has been credited to the relevant service line in the Income and Expenditure Account.

#### 5. Capital Financing

Capital expenditure, except the amounts we provide for as sundry creditors, is financed from the following sources:

**Borrowing** – the government gives us the power to borrow by law under the Local Government Act 2003. Under the Act local authorities have a duty to determine an affordable borrowing limit and comply with the Prudential Code for Capital Financing in Local Authorities. Each local authority receives grant (support) from the Welsh Assembly Government for its borrowing up to a determined limit. Under the Prudential Code, local authorities have the power to undertake additional 'unsupported' borrowing (i.e. borrowing not supported by grant) provided the authority has demonstrated that such borrowing is affordable and prudent.

**Grants and contributions** – these are included in the accounts (on an accruals basis) when the conditions for receiving them have been met and when we are reasonably sure that we will receive the grant or contribution. When fixed assets are financed in total or in part by a government grant or other contribution, the amount of the grant or contribution is credited in the first place to the government grants deferred account. Amounts are released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset.

## **STATEMENT OF ACCOUNTING POLICIES**

The position for 2008/09 and 2009/2010 was as follows:-

	Usable capital receipts %	Set aside capital receipts %
Council House Sales	25	75
Other Sales	100	0

### **6. Charges to Revenue Accounts for the use of Fixed Assets**

Charges for depreciation are made in respect of fixed assets which are attributable to the relevant service. Depreciation is calculated by the straight line method based on the useful life of the asset:-

- Council dwellings – 40 years
- Other buildings – 40 years
- Infrastructure – 20 to 40 years
- Vehicles and plant– 5 to 10 years

Charges are also made in respect of impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

### **7. Stocks and work in progress**

Most stocks are shown at purchase price. This is not in line with the standard accounting practice, which states that stocks should be shown at the lower of actual cost or net realisable value. Operating in this way does not make a significant material difference to the income and expenditure account. Work in progress is shown on the balance sheet at the lower of cost or net realisable value.

### **8. Central administrative expenses**

An apportionment of all support service costs and some overheads are included within the total cost of services as shown in the Housing Revenue Account and the Income and Expenditure account, and these central administrative expenses are allocated over the services to which they relate as follows:

- Legal Services: estimated time allocations
- Human Resources and Organisational Development: estimated time allocations
- Financial Services: estimated time allocations
- Information and Communication Technology Services: use of computing facilities
- Property Management: estimated time allocations
- Office Accommodation: floor area occupied



## **STATEMENT OF ACCOUNTING POLICIES**

CDC's are comprised of the following two divisions of service:

- Democratic Representation and Management (DRM). This concerns corporate policy making and all other member based activities; and
- Corporate Management (CM). This concerns those activities and costs that relate to the general running of the Council

NDC's are comprised of:

- Settlements relating to retirement benefits; Curtailments relating to retirement benefits;
- Curtailments relating to retirement benefits;
- Costs associated with unused shares in IT facilities; and
- Costs of shares of other long-term unused but unrealisable assets

### **9. Interest on investments**

Interest earned on our investments is accounted for on an accruals basis. It is credited to the Income and Expenditure Account and then contributions are made to certain reserves in respect of the notional interest they have earned. These contributions are generally calculated using money market 7 day rates, although special arrangements are made for some specific sums invested for longer periods.

### **10. Pensions**

**a)** The Council participates in two different pension schemes. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

- Teachers - this is an unfunded scheme administered by Capita Teachers' Pensions on behalf of the Department for Children Schools and Families. The pension cost charged to the account is the contribution rate set by that Department on the basis of a notional fund.
- The Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.
- Other employees - subject to certain qualifying criteria, are eligible to join the funded Local Government Pension Scheme. Unfunded costs arising in respect of certain retired employees are charged directly to the relevant service account.

## STATEMENT OF ACCOUNTING POLICIES

- The liabilities of the City and County of Swansea pension scheme attributable to the Council 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 projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond).

- The assets of the City and County of Swansea pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value

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

- current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.

- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.

- interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Income and Expenditure Account.

- expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Income and Expenditure Account.

- gains/losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.

- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Total Recognised Gains and Losses.

- contributions paid to the City and County of Swansea pension fund - cash paid as employer's contributions to the pension fund.

## **STATEMENT OF ACCOUNTING POLICIES**

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

### **Discretionary Benefits**

The Council has restricted powers to make discretionary awards or 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.

### **11. Provisions and Reserves**

The Council maintains a number of provisions and reserves. Details of these are given on pages 62 to 64.

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Reserves are amounts set aside for specific purposes, normally to fund future specific expenditure rather than to meet existing liabilities. Transfers to and from reserves are distinguished from service expenditure in the statement of accounts.

### **12. Taxation**

The Council is responsible for the administration of Value Added Tax (VAT) which is regulated by H.M. Revenue and Customs. The Council is able to recover all VAT incurred in the normal course of its activities. This normally exceeds the amount of VAT charged on taxable income and so entitles the Council to a refund of the net amount.

VAT does not, therefore, constitute a cost to the Council and it is excluded from the revenue accounts. The Council is accountable to H.M. Revenue and Customs for all matters relating to income and corporation tax.

During 2009/10 the Council pursued claims against HM Revenue and Customs relating to the recovery of input tax on certain services which had at the time been correctly declared by predecessor councils. Changes in case law resulted in a limited time frame being available to pursue these claims. The result of these claims is a net receipt of £3.174m in 2009/10 which has been credited to the Council's Income and Expenditure Account.

### **13. Financial relationship with companies**

The Council is the sole shareholder of the Swansea City Waste Disposal Company Limited which was formed in 1996 to undertake waste disposal operations on its behalf. The consideration for the acquisition of the operations at that time comprised of the issue of 4,879,000 ordinary shares of £1 each issued at par.

## STATEMENT OF ACCOUNTING POLICIES

All losses on share valuation are written down against a specific reserve created for this purpose upon the formation of the company and do not fall as a revenue cost in the year in question.

Details of the Council's interests in the National Waterfront Museum (Swansea) Ltd, the Wales National Pool (Swansea) Ltd, Swansea Stadium Management Company Limited, Bay Leisure Ltd and the Swansea City Development Company Limited are given in note 13 to the Balance Sheet on pages 54 to 59.

### 14. Leases

#### Operating Leases.

Details of operating leases together with future commitments are given in note 3 to the Income and Expenditure Account. Net rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease.

#### IFRIC 12

The Council has considered the impact of IFRIC 12 (Service Concessions) and the contractual arrangements it has in place for the delivery of services. No adjustments have been made within the Statement of Accounts in respect of this interpretation. However, the Council will further consider this as part of the 2010/11 Accounts process.

### 15. Group Accounts

The Council considers the companies and organisations in which it has an investment in line with the SORP to determine whether they fall within the group boundary and therefore require inclusion or disclosure in the Group Accounts.

The Group Accounts which form part of this Statement combine the results of the City & County of Swansea, its subsidiary company Swansea City Waste Disposal Company Limited, its joint venture companies the Wales National Pool (Swansea) Limited and the National Waterfront Museum (Swansea) Limited.

There has been no consolidation for Bay Leisure Limited due to the immateriality of the Company's results.

The Council is indemnified from contributing to any loss incurred by Swansea Stadium Management Company Limited. On the basis that the company has been loss making during 2008/09 and 2009/10 the company's results have not been consolidated into the Group Accounts.

The Accounts comprise the Group Income and Expenditure Account, Group Balance Sheet, Group Statement of Total Realised Gains and Losses and Group Cash Flow Statement along with associated notes and are shown on pages 105 to 121 of this statement.

## **STATEMENT OF ACCOUNTING POLICIES**

### **16. Capital Funding for Council Housing**

The Council receives a government grant (the Major Repairs Allowance or MRA) which is treated in the accounts as a capital grant. The grant is credited to a separate reserve (the Major Repairs Reserve) and funding is made from this reserve to finance capital expenditure for council housing stock as it is incurred. The sum received for 2009/10 was £9.1m (2008/09 £9.1m). In addition, the Welsh Assembly Government have assumed that the Housing Revenue Account would normally have borne part of this expenditure and therefore require a transfer back from the HRA of a calculated repair contribution. The sum repaid is £6.200m (2008/09 £6.313m) and is shown as a cost in the Housing Revenue Account under the heading 'Negative Housing Subsidy'.

### **17. Accounting for joint arrangements which are not entities (JANE's)**

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

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

The Council works in partnership with many other local authorities in the joint provision of services. Examples include the Joint Archive Service with Neath Port Talbot County Borough Council and the Joint Childcare Service with Neath Port Talbot and Bridgend County Borough Councils.

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.

In respect of this Authority we have identified the following JANE's to which these accounting entries could be applied:-

- South and Mid Wales Consortium (SWAMWAC) – Education support
- Joint Childcare Legal Arrangements
- Joint Archive Service
- SWWITCH
- Casualty Reduction Partnership
- Safer Swansea Community Safety Partnership
- Joint Resilience Unit - Swansea & Neath Port Talbot
- Local Resilience Forum - LHB, LA's Env Agency
- S33 Pooled Fund (Beds) - City & County of Swansea

Details of transactions made through these entities and year end balances are shown on pages 40 to 45 of these accounts.

## **STATEMENT OF ACCOUNTING POLICIES**

### **18. Recognition of Income and Expenditure**

The accounts are maintained on an accruals basis in accordance with the SORP. This means that sums due to or from the Council, 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.

### **19. Government Grants**

Revenue grants are credited to income to match relevant expenditure.

Grants are accounted for on an accruals basis and recognised when the conditions for the receipt of the grant have been complied with and there is reasonable certainty that the monies will be received.

Government grants and contributions relating to fixed assets and revenue expenditure funded from capital under statute are credited to a government grants deferred account and released to revenue in line with the depreciation charged on the asset or the write off of the revenue expenditure funded from capital under statute to which it relates.

Where grants are received and cannot be attributed directly to a depreciated asset, the income received is credited to the service revenue account in the year it is received.

### **20. Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the asset to reflect the pattern of consumption of benefits.

Intangible assets are included in the Balance Sheet at historic cost net of amortisation.

### **21. Financial Instruments**

#### *Initial Recognition*

A financial asset or liability is recognised on the balance sheet when the Council becomes party to the contractual provisions of the instrument. This will often be the date that a contract is entered into but may be later if there are conditions that need to be satisfied.

#### *Initial Measurement*

Financial assets and financial liabilities are initially measured at fair value less transaction costs that are directly attributable to the acquisition or issue of the asset or liability.

#### *Subsequent Measurement*

Subsequent measurement of financial instruments is in accordance with their classification under the SORP.

## STATEMENT OF ACCOUNTING POLICIES

### *Financial Liabilities*

There are two possible classifications:

Amortised cost – liabilities that are not 'held for trading', e.g. operational creditors and borrowings

Fair value through profit and loss – liabilities 'held for trading'.

The Council currently only has liabilities carried at 'amortised cost.' Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

### *Financial Assets*

There are three possible classifications:

Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market, e.g. operational debtors and bank deposits.

Fair value through profit and loss – assets 'held for trading.'

Available-for-sale financial assets – assets that have a quoted market price and/or do not have fixed or determinable payments, e.g. equity shareholdings and quoted investments.

The Council currently has assets classified as 'loans and receivables' and 'Fair Value through Profit & Loss'. In respect of the 'loans and receivables' assets, this means that these assets are carried at their amortised cost. Annual credits to the Income and Expenditure account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

In respect of the assets classified as 'Fair Value through Profit & Loss' this means that the assets are carried at values determined directly by reference to published price quotations in an active market.

The Council has made interest-free loans for a Third Sector Development Trust (soft loan). When soft loans are made, a loss is recorded in the Income and Expenditure Account 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. Over the life of the loan, interest is credited at the effective market rate of interest 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 actual interest receivable for the financial year. The reconciliation of amounts debited and credited to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account.

Any gains or losses that arise on the de-recognition (i.e. disposal or maturity) of the asset are credited/debited to the Income and Expenditure account.

## INCOME AND EXPENDITURE ACCOUNT

* Restated 2008/09 Net Expenditure £'000	Note	2009/10 Gross Expenditure £'000	2009/10 Gross Income £'000	2009/10 Net Expenditure £'000
<b>Direct Services</b>				
4,267		24,487	-20,891	3,596
58,423		108,309	-43,987	64,322
186,716		255,254	-51,105	204,149
21,915		31,391	-13,754	17,637
-7,372		53,177	-54,714	-1,537
3,825		89,582	-86,705	2,877
61,102		90,679	-25,525	65,154
14,767		12,566	-10,521	2,045
4,668		9,058	0	9,058
<b>348,311</b>		<b>674,503</b>	<b>-307,202</b>	<b>367,301</b>
<b>Levies and Contributions</b>				
11,934	2	12,546	0	12,546
749	2	708	0	708
11,033	2	11,668	0	11,668
1,982	11	48,755	-48,840	-85
20,429		19,169		19,169
-6,616		0	-2,616	-2,616
19,050	6	31,040	0	31,040
0		0	-4,706	-4,706
<b>406,872</b>		<b>798,389</b>	<b>-363,364</b>	<b>435,025</b>
-224,817	1			-231,359
-89,142	8			-92,556
-60,783	9			-62,571
<b>32,130</b>				<b>48,539</b>

\* Note 14 outlines the reason and effect of the restatement.



## **STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The deficit on the Income and Expenditure Account represents the amount by which income is less than expenditure.

However, the items of 'income' and 'expenditure' that are required to be credited or be charged to the General Fund and which therefore must be taken into account in determining a Local Authority's budget requirement and in turn its Council Tax demand is determined by statute and non-statutory proper practices rather than being in accordance with UK GAAP. Whilst the amounts that the SORP requires to be included in the Income and Expenditure Account and statutory and non-statutory proper practice requires to be included in the General Fund are largely the same, there are a number of differences. For example, in some circumstances capital expenditure can be charged to the General Fund but all capital expenditure is excluded from the Income and Expenditure Account; and depreciation of fixed assets is charged to the Income and Expenditure Account but cannot be charged to the General Fund.

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required for statutory and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are:-

### **Amounts included in the Income and Expenditure Account but required by statute to be excluded in determining the movement in the General Fund Balance for the year**

<b>2008/09</b>	<b>2009/10</b>
<b>£'000</b>	<b>£'000</b>
-60,965 Depreciation and Impairment of Fixed Assets	-68,485
0 Amortisation of Intangible Assets	-442
14,563 Government Grants Deferred Amortisation	16,437
-5,987 Revenue expenditure funded from capital under statute	-3,205
0 Net gain or loss on sale of fixed assets	4,706
1,472 Appropriations to capital receipts	-12
-38,180 Net charges made for retirement benefits in accordance with FRS 17	-51,300
<b>-89,097</b>	<b>-102,301</b>

### **Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year**

<b>2008/09</b>	<b>2009/10</b>
<b>£'000</b>	<b>£'000</b>
13,870 Statutory provision for the repayment of debt	14,006
14,297 Capital expenditure charged to the General Fund	9,680
0 Amortisation of premiums and discounts	39
30,380 Employers contribution to the Local Government Pension Fund	31,553
<b>58,547</b>	<b>55,278</b>

## **STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

**Transfers to/from the General Fund Balance that are required to be taken into account  
when determining the movement on the General Fund Balance for the year.**

<b>2008/09 £'000</b>	<b>2009/10 £'000</b>
1,075 Transfer to (from) Housing Revenue Account	737
-390 Net transfer to (from) schools delegated reserve	-1,264
235 Net transfer to (from) other earmarked reserves	-3,989
<b>920</b>	<b>-4,516</b>

**Information to be included in the Statement of Movement on the General Fund Balance**

<b>2008/09 £'000</b>	<b>2009/10 £'000</b>
32,130 Deficit for year in the Income and Expenditure Account	48,539
-29,630 Net additional amount required by statutory and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-51,539
<b>2,500 Net Deficit /(Surplus) for the year</b>	<b>-3,000</b>
9,164 General Fund Balance brought forward	6,664
6,664 General Fund Balance carried forward	9,664

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<u>2008/09</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>
-32,130 Deficit for the year on the Income and Expenditure Account	-48,539
25,870 Surplus arising on the revaluation of fixed assets	39,561
-129,250 Actuarial (loss) on pension fund assets and liabilities	-122,783
<u><u>-135,510</u></u> <b>Total recognised gains and losses for the year</b>	<u><u>-131,761</u></u>

The cumulative amount of actuarial losses recognised in the STRGL is £185.92m.

## BALANCE SHEET

* Restated 31/03/2009		31/03/2010	
£'000	£'000	£'000	£'000
			<b>1,904</b>
<b>0 Intangible Assets - Note 1</b>			
<b>Tangible Fixed Assets</b>			
<b>- Operational assets Note 2</b>			
82,732		90,653	
560,639		579,255	
16,486		14,723	
218,448		216,165	
13,875		13,447	
	<b>892,180</b>		<b>914,243</b>
<b>- Non Operational assets Note 2</b>			
20,503	Assets under construction	8,611	
11,062	Surplus Assets for Disposal	13,674	
98,278	Investment properties	97,713	
	<b>129,843</b>		<b>119,998</b>
	<b>1,022,023</b>		<b>1,036,145</b>
<b>Total Fixed Assets</b>			
11,897	Long term investments Note 18	8,994	
274	Long term debtors	303	
	12,171		9,297
	<b>1,034,194</b>		<b>1,045,442</b>
<b>Total Long-Term Assets</b>			
<b>Current Assets</b>			
1,873	- stocks and work in progress	1,803	
44,965	- debtors: Note 5	58,508	
99,849	- temporary investments Note 18	98,569	
527	- cash in hand	473	159,353
	<b>1,181,408</b>		<b>1,204,795</b>
<b>Current Liabilities</b>			
-64,235	- creditors: Note 6	-57,892	
-11,381	- short term borrowing: Note 7/18	-7,102	
-22,757	- bank overdrawn	-39,751	-104,745
	<b>1,083,035</b>		<b>1,100,050</b>
<b>Total Assets Less Current Liabilities</b>			
<b>Long Term Liabilities</b>			
-344,438	Long-term borrowing: Note 7/18	-342,626	
-15,998	Provisions: Note 16	-15,383	
-169,355	Government grants deferred: Note 9	-178,028	
-423,570	Liability relating to defined pension scheme: Note	-566,100	
	<b>-953,361</b>		<b>-1,102,137</b>
	<b>129,674</b>		<b>-2,087</b>
<b>Total Assets Less Liabilities</b>			
<b>Financed by</b>			
	388,226 Capital Adjustment Account: Note 10		362,549
	82,323 Revaluation Reserve: Note 10		113,928
	-1,051 Financial Instrument Adjustment Account: Note 18		-1,012
	-423,570 Pensions reserve: Note 17		-566,100
	11,326 Usable Capital receipts reserve: Note 12		17,644
	55,190 Earmarked reserves: Note 16		49,937
	10,566 Balances – Housing Revenue Account		11,303
	6,664 Balances – general fund: Note 16		9,664
	<b>129,674</b>		<b>-2,087</b>
<b>Total Net Worth</b>			

\* Note 5 and 6 to the balance sheet outline the reason and effect of the restatement.

## **CASH FLOW STATEMENT**

<b>2008/09</b>	<b>2009/10</b>
<b><u>£'000</u></b>	<b><u>£'000</u></b>
34,827 <b><u>Net cashflow from revenue activities (Note 1)</u></b>	10,692
<b><u>Returns on Investment and servicing of finance</u></b>	
<b>Cash Outflow</b>	
-20,360 Interest paid	-19,229
<b>Cash Inflow</b>	
6,810 Interest received	2,476
<b><u>Capital Activities</u></b>	
<b>Cash Outflows</b>	
-57,705 Purchase of fixed assets	-49,399
-13,423 Other capital cash payments	-9,188
-6,268 Purchase of long term investments	0
<b>Cash Inflows</b>	
4,898 Sale of fixed assets	1,818
0 Sale of long term investments	2,903
34,036 Capital grants received	34,885
0 Other capital cash receipts	13,321
<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> -17,185 <b>Net Cash (Outflow) before Financing</b>	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> -11,721
<b><u>Management of Liquid Resources</u></b>	
47,299 Net increase/decrease in short term deposits	842
<b><u>Financing</u></b>	
<b>Cash Outflows</b>	
-30,016 Repayments of amounts borrowed	-10,078
<b>Cash Inflows</b>	
3,295 New loans raised	3,199
640 New short term loans	710
<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 4,033 <b>Net Increase/(Decrease) in Cash (Note: 3)</b>	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> -17,048

## NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

### 1. Government Grants

The Council received revenue support grant of £231.4m from the Welsh Assembly during 2009/2010 (2008/2009 - £224.8m). As well as this we received specific/special government grants amounting to £158.1m for 2009/2010 (2008/2009 £158.1m). The main items are:

2008/09 £'000	2009/10 £'000
1,597 Better schools fund	1,364
1,703 Mental handicapped strategy	1,719
35,124 Rent allowance subsidy	40,620
28,930 Rent rebate subsidy	31,036
15,370 Council tax benefit	17,071
4,138 Cymorth	4,108
11,761 Supporting people	12,134
6,430 Department for Children, Education, Lifelong Learning and Skills	7,479
2,346 Performance incentive grant	2,347
0 COASTAL	1,027
3,530 Sustainable Waste Management	3,296
2,249 Housing Benefit Administration	2,452
5,563 Concessionary fares	5,510
3,786 Training and Enterprise Council Contract	5,398
1,533 Minority Ethnic Achievement Grant	1,517
2,778 Substance Misuse Action Team	2,178
0 Foundation Phase	4,181
0 Flying Start	1,980
0 RAISE	1,281

### 2. Levies and Contributions Paid

The Council make payments to a number of organisations which operate services across South, West and Mid Wales.

2008/09 £'000	2009/10 £'000
98 Swansea Bay Port Health Authority	99
10,778 Combined Fire Authority	11,407
157 Sea Fisheries	162
<b>11,033</b>	<b>11,668</b>

In addition, the Council is obliged to pay precepts to local precepting bodies (community councils). In 2009/2010 these amounted to £0.708m (08/09 £0.749m). These sums are set by the individual councils, and are collected from council tax payers living within each community council area.

The precept of the South Wales Police Authority is also shown as an expenditure item in 2009/10 offset by an increased credit from the council tax fund.

## NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

### 3. Lessee Commitments

The Council uses leased vehicles, plant, I.C.T. hardware, etc., financed under the terms of operating leases. The amount paid during the year in respect of such leases was £1.007m (2008/09 £1.296m). Lease payments due in 2010/11 are £0.541m, (2009/10 0.762m) comprising the following elements:

2008/09 £'000		2009/10 £'000
	0 Leasing expiring less than 1 year	90
762	1 to 5 years	450
0	Over 5 years	0

### 4. Lessor Commitments

The rents receivable in 2009/10 were £6.291m (£6.675m in 2008/09).  
The value of assets held for use in operating leases is as follows:

31st March 2009 £'000		31st March 2010 £'000
90,388	Gross book value	95,269
-3	Accumulated depreciation	-88
<b>90,385</b>	<b>Net book value</b>	<b>95,181</b>

### 5. Minimum Revenue Provision

The Council is required by statute to set aside a minimum revenue provision (MRP) for the repayment of external debt. In accordance with this requirement the provision for 2009/2010 has been calculated as £12.382m (2008/09 £13.951m). The net amount charged to the general fund in respect of capital financing charges equates to the calculated MRP plus interest charges payable for the year.

### 6. Accounting for Pension Costs

#### a) Teachers:

This is an unfunded scheme administered by the Capita pensions on behalf of the Department for Children, Schools and Families. In 2009/2010, the Council paid £10.71m (08/09 £10.47m) to the Department for Children, Schools and Families in respect of teachers' pension costs, which represents 14.1% (08/09 14.1%) of teachers' pensionable pay. The arrangements for the Teachers' Pension Scheme mean that the liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme. No liability for future payments of benefits is recognised in the balance sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

## NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

In addition, the Council is responsible for all pension payments relating to added years awarded by it and previous authorities, together with the related increases. In 2009/2010, these amounted to £3.39m (08/09 £3.31m), representing 4.4% (08/09 4.5%) of pensionable pay.

### b) Other Employees:

(See also note 17 to the balance sheet).

(i) All other employees who choose to join are members of the Local Government Pension Scheme (LPGS) which is a defined benefits scheme where final pension payments are based on final salary and length of local government service.

(ii) We recognise the cost of retirement benefits in the Net 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 general fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

(iii) The following entries have been reflected in the income and expenditure account and Statement of Movement in the General Fund Balance for the year in accordance with Financial Reporting Standard 17 (FRS 17) and the SORP:

	Funded	Funded	Unfunded	Unfunded		
	Scheme	Scheme	Schemes	Schemes	Total	Total
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
	£M's	£M's	£M's	£M's	£M's	£M's
<b>Income and Expenditure Account</b>						
<i>Net Cost of Services:</i>						
- Current service cost	19.13	20.26			19.13	20.26
- Past service costs					0	0
<b>Total</b>	<b>19.13</b>	<b>20.26</b>	<b>0.00</b>	<b>0.00</b>	<b>19.13</b>	<b>20.26</b>
<i>Net Operating Expenditure:</i>						
- Interest cost	48.61	52.05	4.10	3.87	52.71	55.92
- Expected return on scheme assets	-33.66	-24.88			-33.66	-24.88
<b>Total</b>	<b>14.95</b>	<b>27.17</b>	<b>4.10</b>	<b>3.87</b>	<b>19.05</b>	<b>31.04</b>
<b>Net Charge to the Income and Expenditure Account</b>	<b>34.08</b>	<b>47.43</b>	<b>4.10</b>	<b>3.87</b>	<b>38.18</b>	<b>51.30</b>

<b>Statement of Movement on the General Fund Balance:</b>						
- Reversal of net charges made for retirement benefits in accordance with FRS17	(34.08)	(47.43)	(4.10)	(3.87)	(38.18)	(51.30)
Actual amount charged against the General Fund Balance for pensions in the year:						
- Employers' contributions payable to scheme	26.17	27.22			26.17	27.22
- Retirement benefits payable to pensioners			4.21	4.33	4.21	4.33



## **NOTES TO THE INCOME AND EXPENDITURE ACCOUNT**

Unfunded benefits are pensions arising from additional service awarded on a discretionary basis e.g. Compensatory Added Years (CAY) pensions. Such benefits are usually charged to the Employer as they are paid. Other unfunded benefits include gratuities and enhanced Teachers pensions recharged to the Employer, and pensions in respect of some other public sector pension schemes.

This is in contrast to funded pensions, which are paid for out of the assets of the Fund, and which the Employer has responsibility for funding by paying contributions to the Fund.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £122.79m loss (£129.25m gain 2008/09) were included in the Statement of Total Recognised Gains and Losses.

### **7. Officers' Remuneration/Members' Allowances**

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

<b>2008/2009*</b>		<b>2009/2010</b>
Number	Remuneration Band*	Number
15	£60,000 - £64,999	24
10	£65,000 - £69,999	7
5	£70,000 - £74,999	8
4	£75,000 - £79,999	7
2	£80,000 - £84,999	1
1	£85,000 - £89,999	1
1	£90,000 - £94,999	3
0	£95,000 - £99,999	1
<u>38</u>	<u>Total</u>	<u>52</u>

The numbers shown relate to Council employees which include teaching staff. Seniors Officers' reumerations are shown in note 7 (b) and note 7 (d).

\* restated in line with 2009/10 accounting requirements.

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

	<b>2008/09</b>	<b>2009/10</b>
	<b>(£)</b>	<b>(£)</b>
Salary	155,901	155,901
Bonuses	0	0
Expense Allowances	159	159
Total remuneration excluding pension contributions	<u>156,060</u>	<u>156,060</u>
Employers pension contributions	30,712	31,336
Total remuneration including pension contributions	<u><b>186,772</b></u>	<u><b>187,396</b></u>

## NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

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

**Table 1 - 2009/10**

Post title	Remuneration (including Fees & Allowances)		Expense Allowances		Total remuneration excluding pension contributions		Pension contributions (20.1%)		Total remuneration including pension contributions	
	£	£	£	£	£	£	£	£	£	
Executive Director	120,000	66	120,066	24,120	144,186					
Corporate Director (Regeneration & Housing)	107,500	159	107,659	21,608	129,267					
Corporate Director (Environment)	105,000	159	105,159	21,105	126,264					
Corporate Director (Education)	100,000	159	100,159	20,100	120,259					
Corporate Director (Social Services)	97,500	93	97,593	19,598	117,191					
Head of Legal	133,888	159	134,047	16,080	150,127					
Head of Culture and Tourism	75,000	159	75,159	15,075	90,234					
Head of Finance	75,000	159	75,159	15,075	90,234					
Head of Corporate Building Services	72,500	159	72,659	14,573	87,232					
Head of Education Effectivness	72,500	159	72,659	14,573	87,232					
Head of Education Inclusion	72,500	159	72,659	14,573	87,232					
Head of Information and Customer Services	72,032	159	72,191	14,478	86,669					
Head of Projects and Performance	71,073	159	71,232	14,286	85,518					
Head of Child and Family	70,671	159	70,830	14,070	84,900					
Head of Education Planning and Resources	70,000	159	70,159	14,070	84,229					
Head of Environmental Management	70,000	159	70,159	14,070	84,229					
Head of Planning Services	70,000	159	70,159	14,070	84,229					
Head of Procurement	70,000	159	70,159	14,070	84,229					
Head of Public Protection	70,000	159	70,159	14,070	84,229					
Head of Transportation	69,000	159	69,159	13,869	83,028					
<b>Balance c/f</b>	<b>1,664,164</b>	<b>2,544</b>	<b>1,666,708</b>	<b>323,533</b>	<b>1,990,241</b>					

## NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Table 1 - 2009/10 continued

Post title	Remuneration (including Fees & Allowances) £	* Expense Allowances £	Total remuneration excluding pension contributions £	Pension contributions (20.1%) £	Total remuneration including pension contributions £
<b>Balance b/f</b>	<b>1,664,164</b>	<b>2,544</b>	<b>1,666,708</b>	<b>323,533</b>	<b>1,990,241</b>
Head of Housing and Community	67,500	159	67,659	13,568	81,227
Head of Adult Services	65,000	0	65,000	13,065	78,065
Head of Economic Regeneration	65,000	159	65,159	13,065	78,224
Head of Highways	65,000	0	65,000	13,065	78,065
Head of Marketing Communication	60,000	159	60,159	12,060	72,219
<b>Total</b>	<b>1,986,664</b>	<b>3,021</b>	<b>1,989,685</b>	<b>388,356</b>	<b>2,378,041</b>

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

In respect of the Head of Legal Services the payments shown includes payments in respect of a severance agreement which was entered into after taking independent legal advice. The purpose of the agreement was to protect the Council from a legal claim submitted by that Officer in terms of an employment dispute. The independent legal advice assessed the risk to the Council as high.

## NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

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

**Table 2 - 2008/09**

Post title	Remuneration (including Fees & Allowances) £	Expense Allowances £	Total remuneration excluding pension contributions £	Pension contributions (19.7%) £	Total remuneration including pension contributions £
Executive Director	121,914	159	122,073	24,017	146,090
Corporate Director (Regeneration & Housing)	107,781	159	107,940	21,232	129,172
Corporate Director (Environment)	104,097	159	104,256	20,507	124,763
Corporate Director (Education)	98,601	159	98,760	19,424	118,184
Corporate Director (Social Services)	96,306	159	96,465	18,972	115,437
Head of Legal	80,823	159	80,982	15,922	96,904
Head of Culture and Tourism	74,127	159	74,286	14,603	88,889
Head of Finance	71,975	159	72,134	14,179	86,313
Head of Corporate Building Services	72,033	159	72,192	14,190	86,382
Head of Education Effectiveness	72,033		72,033	14,190	86,223
Head of Education Inclusion	72,033	159	72,192	14,190	86,382
Head of Information and Customer Services	72,033	159	72,192	14,190	86,382
Head of Projects and Performance	71,936	159	72,095	14,171	86,266
Head of Child and Family	25,935		25,935	5,109	31,044
Head of Education Planning and Resources	68,286	159	68,445	13,452	81,897
Head of Environmental Management	68,574	159	68,733	13,509	82,242
Head of Planning Services	68,574	159	68,733	13,509	82,242
Head of Procurement	69,408	159	69,567	13,673	83,240
Head of Public Protection	69,522	159	69,681	13,696	83,377
<b>Balance c/f</b>	<b>1,485,991</b>	<b>2,703</b>	<b>1,488,694</b>	<b>292,735</b>	<b>1,781,429</b>

## NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Table 2 - 2008/09 continued

Post title	Remuneration (including Fees & Allowances) £	* Expense Allowances £	Total remuneration excluding pension contributions £	Pension contributions (19.7%) £	Total remuneration including pension contributions £
<b>Balance b/f</b>	<b>1,485,991</b>	<b>2,703</b>	<b>1,488,694</b>	<b>292,735</b>	<b>1,781,429</b>
Head of Transportation	5,565		5,565	1,096	6,661
Head of Housing and Community	67,167	159	67,326	13,232	80,558
Head of Adult Services	15,435		15,435	3,041	18,476
Head of Highways	64,347		64,347	12,676	77,023
Head of Economic Regeneration	63,864	159	64,023	12,581	76,604
Head of Marketing & Communicator	59,111	159	59,270	11,645	70,915
Head of Human Resources	68,349		68,349	13,464	81,813
<b>Total</b>	<b>1,829,829</b>	<b>3,180</b>	<b>1,833,009</b>	<b>360,470</b>	<b>2,193,479</b>

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

(d) The Councillors' remuneration ranged between £12,474 and £45,380 which is determined in accordance with a scheme approved by the Council in accordance with the provisions of the Local Government Act 1972 and the Local Government and Housing Act 1989.

The total value of allowances paid to members in 2009/2010 was £1.30m (2008/2009 £1.29m).

## NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

### 8. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been grouped into nine valuation bands estimating 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 85,727 in 2009/2010 (85,625 in 2008/2009).

The basic amount for a band 'D' property is £1,064.73 (£1,018.63 for 2008/09) is multiplied by the proportion specified for the particular band to give the individual amounts due.

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

The band 'D' numbers shown have been adjusted for an assumed collection rate of 97.5% (97.5% in 2008/09) 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	15	8,853	18,016	17,288	12,942	12,672	9,787	5,445	1,974	933

Analysis of the net proceeds from council tax:

<b>Restated 2008/09 £'000</b>	<b>2009/10 £'000</b>
89,303 Council tax collectable	93,748
-161 Less:- Provision for non payment of Council tax	-1,192
89,142	92,556

Application of council tax proceeds:

<b>Restated 2008/09 £'000</b>	<b>2009/10 £'000</b>
88,220 City & County of Swansea precept	91,276
749	708
88,969 Council Tax requirement	91,984
173 Transfer to reserves	572
89,142	92,556

## **NOTES TO THE INCOME AND EXPENDITURE ACCOUNT**

### **9. National Non-Domestic Rates (NNDR)**

NNDR is organised on a national basis. The Welsh Assembly Government specifies an amount of the rate per pound of rateable value which for 2009/10 was 0.489p (0.466p in 2008/09) 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 Assembly Government. The Welsh Assembly 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 £63.042m for 2009/10 (£64.476m for 2008/09) was based on a rateable value at year end of £163.204m (£164.356m 2008/09).

The £63.042m represents the NNDR income collected by the Council and paid into the NNDR Pool that is administered by the Welsh Assembly Government. The £62.571m disclosed on the face of the Income and Expenditure Account is the receipt the Council received back from the Welsh Assembly Government.

Analysis of the proceeds from non domestic rates:

<b>2008/09</b>	<b>2009/10</b>
<b>£'000</b>	<b>£'000</b>
66,487 Non – domestic rates due	64,887
-275 Council fund contribution to rate relief	-283
66,212	64,604
-410 Less: cost of collection	-415
-1,043 Provision for bad debts	-1,202
-283 Interest due on overpayments	-300
64,476 NNDR due to pool	62,687
60,783 Net receipt from pool	62,571

### **10. Interests in Companies**

The Council has interests in a number of companies, details of which are given in note 13 to the balance sheet, which also, where appropriate, gives details of the financial transactions between the Council and the companies involved.

### **11. Trading Accounts**

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

Wherever possible the financial information relating to these accounts is shown within the income and expenditure account (page 24) under the relevant service definition. Some trading activities, however, do not fall within the specific service definitions as contained in the Income and Expenditure account and the results from these accounts are shown as a net surplus/deficit on trading activities as a separate line within the account.

## **NOTES TO THE INCOME AND EXPENDITURE ACCOUNT**

The following is a summary of the significant trading activities not included in service definitions :-

<b>2008/09 Activity</b>	<b>2009/2010</b>	<b>2009/2010</b>	<b>2009/201</b>
Surplus/ Deficit (-)	Turnover	Expenditure	Surplus/ Deficit(-)
£'000	£'000	£'000	£'000
-370 Design & print – In house design & print studio	1,544	1,872	-328
-31 Building & property services	28,962	28,308	654
-438 Central Transport Unit	8,876	9,237	-361
-23 Landscaping*			
-202 Catering - In house catering & school meals	5,642	5,525	117
90 Cleaning – In house cleaning of buildings	3,816	3,813	3
-1,008 County Supplies-office equipment/consumables**	0	0	0
<b>-1,982 Total not included in service definitions</b>	<b>48,840</b>	<b>48,755</b>	<b>85</b>

\* figures not reported in 2009/10 as they are not material

\*\* ceased trading March 2009

### **12. Audit Fees**

In 2009/10 the City & County of Swansea Council incurred the following fees relating to external audit and inspection:

	<b>2008/09</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
• Fees payable to the Wales Audit Office/ PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor	371	392
• Fees payable to the Wales Audit Office in respect of statutory inspection	84	85
• Fees payable to Wales Audit Office/PricewaterhouseCoopers LLP for the certification of grant claims and returns	245	116
• Fees payable in respect of other services provided by the appointed auditor	0	0

### **13. Joint Arrangements that are Not Entities (JANES)**

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

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



## **NOTES TO THE INCOME AND EXPENDITURE ACCOUNT**

The Council 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.

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

- South and Mid Wales Consortium (SWAMWAC) - Education support
- Joint Childcare Legal Arrangements
- Joint Archive Service
- SWWITCH
- Casualty Reduction Partnership
- Safer Swansea Community Safety Partnership
- Joint Resilience Unit - Swansea & Neath Port Talbot
- Local Resilience Forum - LHB, LA's, Env Agency & Fire
- S33 Pooled Fund (Beds) - City & County of Swansea & LHB

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

### **SWAMWAC**

	<u>2009/10</u>		<u>2008/09</u>	
	<u>Total</u> <u>£'000</u>	<u>CCS Share</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>CCS Share</u> <u>£'000</u>
<b><u>Income and Expenditure Account</u></b>				
Expenditure	3,106	125	1,203	39
Income and Expenditure Account (Surplus) / Deficit of the year	-3,106	-125	-1,203	-39
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b><u>Balance Sheet</u></b>				
Current Assets				
Current Liabilities	-697	-134	-794	-177
Total Assets less Liabilities	-697	-134	-794	-177
Reserves	697	134	794	177
Total Financing	697	134	794	177

### **Joint Childcare Legal Arrangements**

	<u>2009/10</u>		<u>2008/09</u>	
	<u>Total</u> <u>£'000</u>	<u>CCS Share</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>CCS Share</u> <u>£'000</u>
Expenditure	2,407	952	1,642	714
Income and Expenditure Account (Surplus) / Deficit of the year	-2,407	-1	-1,642	-2
	<u>0</u>	<u>951</u>	<u>0</u>	<u>712</u>

## **NOTES TO THE INCOME AND EXPENDITURE ACCOUNT**

### Balance Sheet

Current Assets

Current Liabilities

Total Assets less Liabilities

	0	0	0	0
	0	0	0	0

Reserves

Total Financing

	0	0	0	0
	0	0	0	0

### Joint Archive Service

#### Income and Expenditure Account

Expenditure

Income and Expenditure Account

Net cost of service

Net operating cost

Contributions

(Surplus) / Deficit of the year

	<u>2009/10</u>		<u>2008/09</u>	
	<u>Total</u>	<u>CCS Share</u>	<u>Total</u>	<u>CCS Share</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Expenditure	557	403	526	377
Income and Expenditure Account	-38	-26	-45	-31
Net cost of service	519	377	481	346
Net operating cost	519	377	481	346
Contributions	-519	-377	-481	-346
(Surplus) / Deficit of the year	0	0	0	0

### Balance Sheet

Current Assets

Current Liabilities

Total Assets less Liabilities

	172	117	171	116
	-1	-1	0	0
	171	116	171	116

Reserves

Total Financing

	-171	-116	-171	-116
	-171	-116	-171	-116

### SWWITCH

#### Income and Expenditure Account

Expenditure

Income and Expenditure Account

(Surplus) / Deficit of the year

	<u>2009/10</u>		<u>2008/09</u>	
	<u>Total</u>	<u>CCS Share</u>	<u>Total</u>	<u>CCS Share</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Expenditure	815	229	420	115
Income and Expenditure Account	-781	-195	-407	-102
(Surplus) / Deficit of the year	34	34	13	13

### Balance Sheet

Current Assets

Current Liabilities

Total Assets less Liabilities

	446	112	223	56
	-446	-112	-223	-56
	0	0	0	0

Reserves

Total Financing

	0	0	0	0
	0	0	0	0

## **NOTES TO THE INCOME AND EXPENDITURE ACCOUNT**

### **Casualty Reduction Partnership**

	<u>2009/10</u>		<u>2008/09</u>	
	<u>Total</u> £'000	<u>CCS Share</u> £'000	<u>Total</u> £'000	<u>CCS Share</u> £'000
<u>Income and Expenditure Account</u>				
Expenditure	5,000	658	5,413	455
Income and Expenditure Account (Surplus) / Deficit of the year	-5,000	-654	-5,400	-442
	<u>0</u>	<u>4</u>	<u>13</u>	<u>13</u>
 <u>Balance Sheet</u>				
Current Assets	3,000	443	3,330	23
Current Liabilities	-3,000	-443	-3,330	-23
Total Assets less Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Reserves	0	0	0	0
Total Financing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

	<u>2009/10</u>		<u>2008/09</u>	
	<u>Total</u> £'000	<u>CCS Share</u> £'000	<u>Total</u> £'000	<u>CCS Share</u> £'000
<u>Income and Expenditure Account</u>				
Expenditure	3,817	3,540	3,786	3,536
Income and Expenditure Account (Surplus) / Deficit of the year	-3,817	-3,540	-3,786	-3,536
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 <u>Balance Sheet</u>				
Current Assets	1,197	1,197	1,280	1,280
Current Liabilities	-1,197	-1,197	-1,280	-1,280
Total Assets less Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Reserves	0	0	0	0
Total Financing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

## **NOTES TO THE INCOME AND EXPENDITURE ACCOUNT**

### **Joint Resilience Unit**

	<u>2009/10</u>		<u>2008/09</u>	
	<u>Total</u> £'000	<u>CCS Share</u> £'000	<u>Total</u> £'000	<u>CCS Share</u> £'000
<u>Income and Expenditure Account</u>				
Expenditure	264	159	261	156
Income and Expenditure Account	-9	-9	-10	-10
Net cost of service	255	150	251	146
Net operating cost	255	150	251	146
Contributions	-105	0	-105	0
(Surplus) / Deficit of the year	150	150	146	146

### **Balance Sheet**

Current Assets	64	32	55	55
Current Liabilities				
Total Assets less Liabilities	64	32	55	55
Reserves	-64	-32		
Total Financing	-64	-32	0	0

### **Local Resilience Forum**

	<u>2009/10</u>		<u>2008/09</u>	
	<u>Total</u> £'000	<u>CCS Share</u> £'000	<u>Total</u> £'000	<u>CCS Share</u> £'000
<u>Income and Expenditure Account</u>				
Expenditure	59	5	61	5
Income and Expenditure Account	0	0	0	0
Net cost of service	59	5	61	5
Net operating cost	59	5	61	5
Contributions	-59	-5	-61	-5
(Surplus) / Deficit of the year	0	0	0	0

### **Balance Sheet**

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

## **NOTES TO THE INCOME AND EXPENDITURE ACCOUNT**

### **S33 Pooled Fund (Beds and Mattresses)**

	<u>2009/10</u>		<u>2008/09</u>	
	<u>Total</u> £'000	<u>CCS Share</u> £'000	<u>Total</u> £'000	<u>CCS Share</u> £'000
<u>Income and Expenditure Account</u>				
Expenditure	144	41	129	54
Income and Expenditure Account	0	0	0	0
Net cost of service	<u>144</u>	<u>41</u>	<u>129</u>	<u>54</u>
Net operating cost	144	41	129	54
Contributions	-144	0	-129	0
(Surplus) / Deficit of the year	<u>0</u>	<u>41</u>	<u>0</u>	<u>54</u>
<u>Balance Sheet</u>				
Current Assets	3	0	13	0
Current Liabilities	0	0	0	0
Total Assets less Liabilities	<u>3</u>	<u>0</u>	<u>13</u>	<u>0</u>
<u>Reserves</u>				
Total Financing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

#### **14. Restatement of prior year comparatives.**

	<u>2008/09</u> £'000	<u>Change</u> £'000	<u>Restated</u> 2008/09 £'000
Precepts - South Wales Police Authority	0	11,934	11,934
Income from Council Tax	-77,208	-11,934	-89,142

The 2009 Code of Practice on Local Authority Accounting clarified that the Police Authority are major preceptors and consequently the Council Tax income should be shown as gross income in the Statement of Accounts with Precepts paid to major preceptors being represented as expenditure. The 2008/09 Income and Expenditure account has been restated to include the £11.934m precept issued by South Wales Police as expenditure and additional income of £11.934m within Income from Council Tax.

## NOTES TO THE BALANCE SHEET

### 1. Intangible Assets

Intangible Assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights.

Intangible Assets	Purchased software licences	Total
	£'000	£'000
<b>Cost or valuation</b>		
As at 1 April 2009	0	0
Additions		0
Reclassifications	2,719	2,719
Revaluations		0
Impairments		0
<b>As at 31 March 2010</b>	<b>2,719</b>	<b>2,719</b>
<b>Amortisation</b>		
At 1 April 2009	0	0
Charge for 2009/10	-442	-442
Reclassifications	-373	-373
Revaluations	0	0
Impairments	0	0
<b>As at 31 March 2010</b>	<b>-815</b>	<b>-815</b>
<b>Balance Sheet amount as at 31 March 2010</b>	<b>1,904</b>	<b>1,904</b>
<b>Balance Sheet amount as at 1 April 2009</b>	<b>0</b>	<b>0</b>
<b>Nature of asset holding</b>		
Owned	1,904	1,904
Finance lease	0	0
PFI	0	0
	<b>1,904</b>	<b>1,904</b>

## NOTES TO THE BALANCE SHEET

### 2. Tangible Fixed Assets

Assets have been valued using the methodology described in the Statement of Accounting policies contained within this booklet. The movement of fixed assets is as follows:-

Operational Assets	Council Dwellings	Other Land & Buildings	Plant, vehicles etc.	Infra- structure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
As at 1 April 2009	91,020	585,475	23,013	287,525	16,768	1,003,801
Additions	14,171	12,646	3,562	8,631	421	39,431
Reclassifications	2,728	3,860	-2,585	2,105	-17	6,091
Revaluations	7,904	12,226	0	0	2	20,132
Impairments	-16,974	-13,015	-11	-5,593	-421	-36,014
Write Off to Income & Expenditure Account	0	0	0	-69	0	-69
<b>As at 31 March 2010</b>	<b>98,849</b>	<b>601,192</b>	<b>23,979</b>	<b>292,599</b>	<b>16,753</b>	<b>1,033,372</b>
<b>Depreciation</b>						
At 1 April 2009	-8,288	-24,836	-6,527	-69,077	-2,893	-111,621
Charge for 2009/10	-2,728	-13,035	-3,105	-7,622	-414	-26,904
Reclassifications	9	-2	374	-3	1	379
Revaluations	2,811	13,406	2	0	0	16,219
Impairments		2,530		268		2,798
<b>As at 31 March 2010</b>	<b>-8,196</b>	<b>-21,937</b>	<b>-9,256</b>	<b>-76,434</b>	<b>-3,306</b>	<b>-119,129</b>
<b>Balance Sheet amount as at 31 March 2010</b>	<b>90,653</b>	<b>579,255</b>	<b>14,723</b>	<b>216,165</b>	<b>13,447</b>	<b>914,243</b>
<b>Balance Sheet amount as at 1 April 2009</b>	<b>82,732</b>	<b>560,639</b>	<b>16,486</b>	<b>218,448</b>	<b>13,875</b>	<b>892,180</b>
<b>Nature of asset holding</b>						
Owned	90,653	579,255	14,723	216,165	13,447	914,243
Finance lease	0	0	0	0	0	0
PFI	0	0	0	0	0	0
	<b>90,653</b>	<b>579,255</b>	<b>14,723</b>	<b>216,165</b>	<b>13,447</b>	<b>914,243</b>

## NOTES TO THE BALANCE SHEET

Non Operational Assets	Assets under Construction	Surplus Assets for Disposal	Investment Assets	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
As at 1 April 2009	20,503	11,096	98,548	130,147
Additions	8,288	0	3,846	12,134
Disposals	0	-5,807	0	-5,807
Reclassifications	-18,946	7,833	2,303	-8,810
Revaluations	0	556	1,657	2,213
Impairments	0	0	-8,367	-8,367
Write Off to Income & Expenditure Account	-1,234	0	0	-1,234
<b>As at 31 March 2010</b>	<b>8,611</b>	<b>13,678</b>	<b>97,987</b>	<b>120,276</b>
<b>Depreciation</b>				
At 1 April 2009	0	-34	-270	-304
Charge for 2009/10	0	0	0	0
Reclassifications	0	0	-6	-6
Revaluations	0	30	1	31
Impairments	0	0	1	1
<b>As at 31 March 2010</b>	<b>0</b>	<b>-4</b>	<b>-274</b>	<b>-278</b>
<b>Balance Sheet amount as at 31 March 2010</b>	<b>8,611</b>	<b>13,674</b>	<b>97,713</b>	<b>119,998</b>
<b>Balance Sheet amount as at 1 April 2009</b>	<b>20,503</b>	<b>11,062</b>	<b>98,278</b>	<b>129,843</b>
<b>Nature of asset holding</b>				
Owned	8,611	13,674	97,713	119,998
Finance lease	0	0	0	0
PFI	0	0	0	0
	<b>8,611</b>	<b>13,674</b>	<b>97,713</b>	<b>119,998</b>

The additions shown under infrastructure assets includes a sum of £337k in respect of land acquired under statutory compulsory purchase orders for which payment will be made in future years. Provision for such a payment has been made in these accounts. A summary schedule itemising the main fixed assets of the authority is given on pages 83 to 85. Please see accounting policies note 3 (iii) re method of council housing revaluation.



## NOTES TO THE BALANCE SHEET

### 3. Capital Expenditure and Financing

	2009/10 £'000	2008/09 £'000
Creditor brought forward	2,682	2,393
<b>Capital Investment</b>		
Operational assets (per note 2 to the Balance Sheet)	39,431	42,347
Non-operational assets (per note 2 to the Balance Sheet)	12,134	15,777
Revenue Expenditure Funded from Capital under Statute (per note 4 to the balance sheet)	9,188	13,423
	<b>63,435</b>	<b>73,940</b>
<b>Sources of finance</b>		
Capital receipts	3,641	4,780
Government grants and other contributions	31,105	34,036
Sums set aside from revenue (NB: includes direct revenue financing, MRP and any voluntary set aside)	9,680	14,548
Loans	14,178	17,764
Other, including additions relating to omissions from the fixed asset register in prior years already owned by the Authority, therefore requiring no additional funding.	2,208	130
Creditor carried forward	2,623	2,682
	<b>63,435</b>	<b>73,940</b>

Significant commitments for future capital expenditure include the following schemes:

<b>31 March 2010</b>	<b>£'000</b>
Finance Melyn Mynach (ASDA) Redevelopment	933
Housing Guildhall	3,466
Environment Quadrant Bus Station	5,463
Regeneration Stadium	410
<b>31 March 2009</b>	<b>£'000</b>
Regeneration Leisure Centre	214
Housing Steel Houses (Penlan)	356
Guildhall	2,083
Environment Metro 2 Normandy Road	407
Education Penyrheol rebuild	2,502

## NOTES TO THE BALANCE SHEET

### 4. Revenue expenditure funded from capital under statute

Capital expenditure, which does not result in a tangible (real) asset to the Council (e.g. housing renovation grants), is classified as revenue expenditure funded from Capital under statute.

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
13,384	Expenditure	9,188
-5,809	Less amounts charged to capital adjustment account via the Income and Expenditure Account	-2,844
-7,575	Less amounts funded by grants, capital receipts and revenue contributions to capital	-6,344
0		0

The current system of capital accounting allows for the writing down of revenue expenditure funded from capital under statute balances to zero in so far as they represent no continuing value to the Council.

### 5. Debtors

<b>Restated 31st March 2009</b>		<b>31st March 2010</b>
<b>£'000</b>		<b>£'000</b>
1,600	Housing rents	1,510
8,003	Council tax	8,755
15,864	Government departments	18,572
5,796	Other public bodies	6,683
22,187	Sundry debtors	32,010
53,450		67,530
-8,485	Less provision for doubtful debts	-9,022
44,965		58,508

The Debtors for 2008/09 have been restated due to a new requirement in respect of National Non Domestic Rates (NNDR) in SORP 2009. All sums previously included as debtors, prepayments and provision for bad debts within the Balance Sheet in respect of National Non Domestic ratepayers have been consolidated into a single overall balance due to/from the Welsh Assembly Government. This reflects the fact that the Council effectively acts as an agent for the Assembly in collecting sums due and any amounts owing or prepaid relate to the contractual relationship between the Assembly and the taxpayer. This has reduced the prior year debtor by £1,282k.

### 6. Creditors

<b>Restated 31st March</b>		<b>31st March</b>
<b>£'000</b>		<b>£'000</b>
5,524	Government departments	8,123
1,521	Other public bodies	1,716
57,190	Sundry creditors	48,053
64,235		57,892

## NOTES TO THE BALANCE SHEET

The Creditors for 2008/09 have been restated due to a new requirement in respect of National Non Domestic Rates (NNDR) in SORP 2009. The creditors for 2008/09 have been reduced by £1.282m. The NNDR receipt in advance of £1,282k has been amalgamated within the Welsh Assembly Government debtor for 2008/09.

### 7. Analysis of Borrowing

31st March 2009 £'000	Sources of borrowing	31st March 2010 £'000	31st March 2010 £'000	%
244,825	Public Works Loan Board	243,013		28
99,613	Money market	99,613		
344,438	<b>Total borrowing greater than one year</b>		342,626	0
0	Stock issues		1	2
10,114	Public Works Loans Board	6,007		0
13	Local bonds & internal mortgages	4		0
1,254	Temporary loans	1,090		
11,381	<b>Total borrowing less than one year</b>		7,102	100
355,819			349,728	

Maturity dates for the repayment of loans

31st £'000		31st £'000	%
1,263	Temporary loans up to 1 year	1,090	0
	Long term debt maturing within:-		
5,887	1 year	5,982	2
5,977	1 - 2 years	10,280	3
18,543	2 – 5 years	19,782	6
19,801	5 -10 years	12,479	3
304,348	Over 10 years	300,115	86
355,819		349,728	100

### 8. Reserves and Balances

Details of other reserves, balances and provisions are given on pages 62 to 64.

### 9. Government Grants Deferred

This account is credited with capital grants and contributions used to partly or wholly finance assets. The balance at 31st March 2010 of £178.028m (31st March 2009 £169.355m) represents cumulative grant and contributions utilised for funding since inception of the current capital accounting arrangements.

## NOTES TO THE BALANCE SHEET

### 10. Capital Adjustment Account and Revaluation Reserve

#### Capital Adjustment Account

31 <sup>st</sup> March 2009 £'000		31 <sup>st</sup> March 2010 £'000
405,797	Balance brought forward	388,226
706	Capital receipts set aside	527
4,780	Capital financing - capital receipts	3,641
-25	- loan repayments	-24
14,549	- revenue	9,680
14,563	- grants written off	16,437
13,951	Minimum revenue provision	14,006
-3,153	Disposals	-5,807
1,104	Disposals written off balance from Revaluation Reserve	4,341
3,153	Historical Depreciation cost adjustment	4,877
-4,233	Downward Revaluations	-11,466
-25,597	Less depreciation	-26,904
0	Less amortisation	-442
-31,135	Less impaired	-30,115
394,460		366,977
-6,234	Revenue expenditure funded by capital under statute	-4,428
388,226	Published Balance as at 31st March	362,549

#### Revaluation Reserve

2008/09 £'000		2009/10 £'000
60,953	Balance brought forward	82,323
25,164	Surplus on revaluations - cost	28,373
4,055	- depreciation	15,771
29,219		44,144
	Deficit on revaluations affecting revaluation reserve	
-5,334	- cost	-6,028
1,182	- depreciation	479
-4,152		-5,549
-1,104	Disposals - balance on revaluation reserve written out to CAA	-4,341
560	Additions	2,228
-3,153	Historical Depreciation cost adjustment	-4,877
82,323	Balance carried forward	113,928

## NOTES TO THE BALANCE SHEET

### 11. Trust Funds

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

The principal funds are:

	Income For year	Expenditure For year	Assets 31/03/2010	Liabilities 31/03/2010
	£	£	£	£
<b>2009/2010</b>				
Welsh Church Acts – various charitable schemes	138,938	146,223	1,041,619	107,481
Swansea Children's Relief in Need	37,219	27,559	789,747	0
Swansea Further Education Trust Fund	3,763	8,140	144,782	0
Swansea Foundation – education	3,930	34,180	267,426	3,400
Lord Mayors Fund – various charitable schemes	49,424	56,023	23,463	0
Other capital trust funds	5,448	575	163,249	0
Other trust funds - various charitable schemes	29,911	42,267	160,394	100
Swansea Workshops for the Blind	4,928	4,928	689,916	0
West Glamorgan Blind Welfare Association	1,080	666	28,733	0
<b>Total</b>	<b>274,641</b>	<b>320,561</b>	<b>3,309,329</b>	<b>110,981</b>

The principal funds are:

	Income For year	Expenditure For year	Assets 31/03/2010	Liabilities 31/03/2010
	£	£	£	£
<b>2008/2009</b>				
Welsh Church Acts – various charitable schemes	42,863	18,766	1,045,280	95,129
Swansea Children's Relief in Need	42,487	47,496	824,805	25,696
Swansea Further Education Trust Fund	9,664	7,387	149,160	0
Swansea Foundation – education	15,857	18,157	294,427	150
Lord Mayors Fund – various charitable schemes	54,111	62,656	29,871	0
Other capital trust funds	1,451	0	51,219	0
Other trust funds - various charitable schemes	31,595	20,859	156,254	0
Swansea Workshops for the Blind	7,438	7,438	689,916	0
West Glamorgan Blind Welfare Association	1,079	1,220	28,760	74
<b>Total</b>	<b>206,545</b>	<b>183,979</b>	<b>3,269,692</b>	<b>121,049</b>

The trust funds do not form part of the assets of the City & County of Swansea and are therefore not included in the balance sheet or income and expenditure account.

## **NOTES TO THE BALANCE SHEET**

### **12. Usable Capital Receipts Reserve**

<b>2008/09</b>		<b>2009/10</b>	<b>2009/10</b>	<b>2009/10</b>
<b>Total</b>		<b>Gen fund</b>	<b>H.R.A</b>	<b>Total</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
12,187	Opening balance	6,400	4,926	11,326
4,898	Receipts during the year	9,710	795	10,505
-736	Less set asides	0	-527	-527
-243	Less other costs	-3	-16	-19
-420	Less transfer to revenue	-174	0	-174
<u>15,686</u>	Available to use	<u>15,933</u>	<u>5,178</u>	<u>21,111</u>
<u>-4,360</u>	Less applied	<u>-3,388</u>	<u>-79</u>	<u>-3,467</u>
<u><u>11,326</u></u>		<u><u>12,545</u></u>	<u><u>5,099</u></u>	<u><u>17,644</u></u>

### **13. Related Party Transactions**

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

The Council receives significant funding from the Welsh Assembly Government. Details of the sums received in respect of revenue support grant and redistributed non domestic rates are shown in the income and expenditure account, with details of other grant income being shown in note 1 to the Income and Expenditure Account.

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

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

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

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

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

## **NOTES TO THE BALANCE SHEET**

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

In respect of the Mid and West Wales Fire Authority, South Wales Sea Fisheries Committee and the Swansea Bay Port Health Authority, significant sums are paid by the Council in respect of levies and precepts to these bodies. Details are given in note 2 to the income and expenditure account.

The Council 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 2009/10 was £12.546m (2008/09 £11.934m).

The Council has interests in various companies as shown below some of which involve joint management and working arrangements with both the University of Wales (Swansea) and the National Museums and Galleries of Wales.

### **d) Subsidiary and Associated Companies**

The Council has an interest in six companies, details of which are shown below:-

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

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

The value of the Council's investment in the company as at 31st March 2010 remains at £0m.

The nature of the Company's activities is such that net worth (and hence the value of the Council's shareholding) will diminish substantially over time, due to the commercial value of the landfill site diminishing as its capacity to accept waste comes to an end. As at 31st March 2010 the net worth of the Company was -£1,081k (31st March 2009 -£845k).

Purchases from, and charges made to the Company in 2009/10 amounted to £9.6m (2008/09 £8.5m). Rent, rates and royalties receivable total £98k (2008/09 £76k). Sales of £691k (2008/09 £632k) were made to the Company. Landfill tax paid to the Company amounted to £3.0k (2008/09 £2.8k).

The outstanding debtors and creditors at 31st March 2010 were £7,549 and £676,431 (2009 £26,864 and £1,644,456).

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

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

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

## NOTES TO THE BALANCE SHEET

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

During the 2002/03 financial year the Council 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 Council'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 Council from its activities.

Income for the company for 2009/10 amounted to £0.007m (2008/09 £0.002m) with expenditure for the year totalling £0.221m (2008/09 £0.247m).

The outstanding debtors and creditors at 31st March 2010 were £2,723 and £4,338 (2009 £41 and £0).

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) Ltd

The Wales National Pool (Swansea) Ltd ("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 & County of Swansea was responsible for the construction of the pool complex, with the bulk of funding being supplied by the National Lottery Sports Foundation. The pool has been constructed on land owned by the University of Wales, Swansea. The pool complex is leased by the Council 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 Council's transactions with the Company during the year are as follows:-

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
340	Funding provided by the Council towards operating costs of the pool	375
107	Sum paid for the free use of the pool by schools and other bodies	102
-724	Recharges of wages , salaries and other costs to the Company	-749



## NOTES TO THE BALANCE SHEET

The Company has seven directors of which three are appointed by the City & County of Swansea. The Company is treated as being a joint venture with the Council in the group accounts.

By agreement with the University of Wales Swansea, the Council will fund 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 Council's liability in respect of the operations of the Company.

The outstanding debtors and creditors at 31st March 2010 were £1,097 and £0 (2009 £413 and £0).

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

### **Swansea Stadium Management Company Ltd. (SSMC)**

In March 2005, the City & County of Swansea purchased shares to the value of £50,000 in Swansea Stadium Management Company Ltd., a company formed to operationally run the Liberty Stadium in Swansea. The stadium is a circa-18,000 seater stadium, and is the home to Swansea City AFC Ltd. and Ospreys Rugby Ltd. The stadium also has a number of banqueting and hospitality suites which can also be used for activities outside of sporting events.

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

On the basis that the Company has been loss making during 2008/09 and 2009/10 the company's results have not been consolidated into the Group Accounts.

The outstanding debtors and creditors at 31st March 2010 were £13,144 and £0 (2009 £103,449 and £83).

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

### **Swansea Bay Futures Limited**

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

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

## NOTES TO THE BALANCE SHEET

Details of transactions with the company during the year are as follows:

2008/09 £'000		2009/10 £'000
28	Grant payment	8
1	Retained balance 2006/07	1
10	Premier partner fees	10
39		19

There were no outstanding debtors and creditors at 31st March 2010 and 31st March 2009.

Accounts for the company can be obtained from Swansea Bay Futures, Llys Tawe, Kings Road, Swansea. SA1 8PG

### Bay Leisure Ltd

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 Council has no direct shareholding or financial interest in the Company. The company is treated as an associate within the group structure of the Council. 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 Council 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 Council's accounts.

The LC is leased to Bay Leisure Ltd 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 Council is responsible for major repair/replacement/refurbishment items and, as such, is making an annual provision for future expenditure in this area.

In terms of future funding, the Council 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 Council's revenue budget for 2010/11 amounts to £1.3m which reflects both the management fee payable to the company and a contribution to the future major repairs fund.

The outstanding debtors and creditors at 31st March 2010 were £2,292 and £3,517 (2009 £597 and £3,474).

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

## NOTES TO THE BALANCE SHEET

### Swansea City Development Company

This is a company limited by guarantee originally set up by the predecessor Swansea City Council. The Company has not traded for a number of years and whilst the Company has no assets, its Balance Sheet has for some time shown a creditor of some £79,689 owed to the Council. The Council does not hold any comparable debtor.

Following investigation the Council has determined that there is no reasonable chance of any payment being made by the Company, that it will forego any debt and that the Company should be wound up.

### e) Other Organisations

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

During 2009/10 invoices totalling £70,217 (2008/09 £89,484) were paid by the Council on behalf of recipients of Housing Improvement Grants to a company in which a Cabinet Member has an interest. These payments were made in full compliance of the Council's standing orders.

During 2009/10 no invoices (2008/09 £35,787) were paid by the Council in respect of bus contracts to a company in which a Cabinet Member has an interest. These payments were made in full compliance of the Council's standing orders.

The members' interest in this company was properly recorded in the Register of members Interests which is available from the Council's Head of Legal Services.

### 14. Insurance provisions/self insurance

We hold a range of insurance policies with external insurance companies so that protection is afforded against all major risks. These policies are subject to substantial excesses and we maintain an insurance provision to meet these excesses and any other liability not covered by these policies. The value of the provision as at 31st March 2010 was £9.747m (31/03/2009 £10.788m). The provision has been created by charging revenue accounts a premium reflecting annual insurance costs. The provision provides for the following excess levels under the policies in place:-

	£
Public Liability	200,000
Employers Liability	125,000
Material Damage:	
• General	100,000
• Educational/Schools	250,000
• Educational/Schools with sprinkler	50,000
Motor (own vehicle damage only)	10,000

## NOTES TO THE BALANCE SHEET

### 15. Contingent Liabilities

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

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Personal Social Services	Unknown	Relates to potential abuse claims relating to children cared for in previous authorities. Recent legislation has extended the period in which claims can be made beyond the initial period of six years during which a persons life could be said to be affected by abuse and, as such, the potential for such claims is greater than in the past. The Council is not currently aware of any major claims.	Unknown
Infrastructure and retaining walls	Unknown	There are potential claims regarding infrastructure and retaining walls which may be taken against the Council - such claims will be rigorously defended through the Council's insurers and any successful claims will be met from future capital or revenue funding.	Unknown
Asbestos exposure	Unknown	<p>The timescale for the development of asbestos related illness can be extremely protracted and, as such, claims relating to illness derived from asbestos exposure often arise many years after exposure is claimed.</p> <p>Recent changes in legislation extend the period in which asbestos related claims can be made from people who contract illness due to asbestos exposure.</p> <p>The Council's insurers are currently indemnifying the Council against two claims which have been received, subject to the outcome of a Court of Appeal hearing instigated by the Insurers against a recent court case that established their liability for these past claims. Should the appeal by the Insurance Company succeed then there is a potential for the Council to have to meet the whole cost of such claims.</p>	Unknown

## NOTES TO THE BALANCE SHEET

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Financial Guarantees	Unknown	<p>The Council has in place funding agreements in respect of operating losses/management fees with regard to the following operational companies:-</p> <ul style="list-style-type: none"> <li>- Bay Leisure Ltd ( Leisure centre)</li> <li>- Wales National Pool (Swansea) Ltd</li> </ul> <p>To date any contributions made to these companies have fallen within the annual revenue budget provision.</p> <p>With respect to Bay Leisure Limited (Swansea Leisure Centre) there is an obligation to consider annual funding requests but no contractual liability to fund deficits.</p> <p>In both instances the Council 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 Council made payments to certain staff in full settlement of potential equal pay claims. In respect of known future liabilities the Council has made what it considers to be adequate revenue provision within the Accounts to cater for the estimated value of such liabilities.</p> <p>There is a potential for further (as yet unknown) claims in respect of equal pay claims and in respect of equal value claims which are not provided for in these accounts.</p>	Unknown
Job Evaluation	Unknown	<p>The Council is currently committed to undertaking a pay and grading review designed primarily to comply with equal pay legislation. The Council believes it has made reasonable provision through the creation of earmarked reserves to meet any costs arising from this exercise.</p>	

## NOTES TO THE BALANCE SHEET

### 16. Provisions and Reserves

**Provisions** are amounts set aside to meet specific liabilities, the amount or timing of which cannot be accurately determined.

**Reserves** are amounts held for more general purposes, although some reserves are earmarked for particular activities.

<u>Provisions</u>						
<u>Class of Provision</u>	<u>Nature of liability</u>	<u>Estimated date of settlement</u>	<u>Balance 01/04/09</u>	<u>Utilised during the year</u>	<u>Created during the year</u>	<u>Balance 31/03/10</u>
			<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Insurances</b>	Sums relating to the estimated cost of current claims and the Council's excess value on policies	As claims settled	10,788	-7,204	6,163	9,747
<b>Land acquisition</b>	Estimated sums due to settle purchase costs of lands acquired under compulsory purchase orders (including interest)	As values are agreed	897	-106	0	791
<b>Other</b>	Miscellaneous provisions covering committed contracts which are onerous and other estimated liabilities	2010/11	4,313	-409	941	4,845
<b>Total</b>			<b>15,998</b>	<b>-7,719</b>	<b>7,104</b>	<b>15,383</b>

## NOTES TO THE BALANCE SHEET

### Reserves

These are balances which are held in order to fund future revenue and capital activities which are uncommitted at the balance sheet date. Earmarked reserves have been set aside to fund specific activities, whilst general balances are available to support the general financing of the Council's activities.

Details of the Council's reserves as at 31st March 2010 are as follows:-

<u>Earmarked revenue reserves</u>	<u>Balance</u> 01/04/2009 £'000	<u>Net</u> <u>Movement</u> for the year £'000	<u>Balance</u> 31/03/2010 £'000
<b>Schools delegated reserves</b> These are created by the carry forward of underspends on the delegated budgets for each individual school and are available to fund expenditure within individual schools in future years.	5,133	-1,264	3,869
<b>Capital financing charges reserve</b> Reserves to meet unforeseen adverse movements in interest rates and to meet future costs associated with active management of the debt portfolio	4,208	-2,500	1,708
<b>Other equalisation reserves</b> To even out year on year variations on major income and expenditure items	812	0	812
<b>Information technology reserves</b> Specific reserves set aside for replacement software and hardware and the implementation of corporate IT strategies	1,371	94	1,465
<b>E- Government</b> Amount set aside to fund ongoing work on resource system implementation	132	0	132
<b>Contingency reserve</b> A reserve set aside to provide funding for the corporate financial risks identified in the Council's forward financial plan	11,325	-3,320	8,005
<b>Development reserves</b> Sums set aside for industrial/commercial development projects, to fund profit share agreements on land reclamation and commuted sums	2,578	-591	1,987
<b>Insurance reserves</b> To provide for unforeseen expenditure	8,417	1,528	9,945
<b>Other earmarked revenue reserves</b>	16,848	3,669	20,517
<b>Revenue reserve earmarked to fund future capital expenditure</b>	4,366	-2,869	1,497
<b>Total earmarked revenue reserves</b>	<b>55,190</b>	<b>-5,253</b>	<b>49,937</b>

## NOTES TO THE BALANCE SHEET

	<u>Balance</u> 01/04/2009 <u>£'000</u>	<u>Movement</u> for the year <u>£'000</u>	<u>Balance</u> 31/03/2010 <u>£'000</u>
<b><u>Housing revenue account balances</u></b>	10,566	737	11,303
<b>Total earmarked reserves</b>	<b>65,756</b>	<b>-4,516</b>	<b>61,240</b>
General balances	6,664	3,000	9,664
<b><u>Total reserves</u></b>	<b>72,420</b>	<b>-1,516</b>	<b>70,904</b>

### 17. Pension Assets and Liabilities

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) City & County of Swansea is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement.

City & County of Swansea participates in the Local Government Pension Scheme and Teachers Pension Scheme. The Local Government Pension Scheme is a defined benefits scheme based on final pensionable salary.

The most recent valuation was carried out at 31st March 2007 and has been updated by independent actuaries to the City & County of Swansea Pension Fund (the Fund) to take account of the requirements of FRS 17 in order to assess the liabilities of the fund as at 31st March 2010.

City & County of Swansea's contribution rate over the accounting period was 20.1% of pensionable pay. The contribution rates certified for City & County of Swansea at the 31st March 2007 valuation are as follows:-

April 2008 to March 2009	19.7% of pensionable pay
April 2009 to March 2010	20.1% of pensionable pay
April 2010 to March 2011	20.5% of pensionable pay

These figures include the past service element of the contribution rate.

The estimated level of contributions payable to the pension fund in 2010/11 is £36.8m (Employers £28.1m & Employees £8.7m).



## NOTES TO THE BALANCE SHEET

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	Funded Liabilities: LGPS	Funded Liabilities: LGPS	Unfunded Liabilities: LGPS	Unfunded Liabilities: LGPS
	2008/09	2009/10	2008/09	2009/10
	£M's	£M's	£M's	£M's
<b>1st April</b>	<b>711.39</b>	<b>784.72</b>	<b>62.27</b>	<b>60.77</b>
Current service cost	19.13	20.26		
Interest cost	48.61	52.05	4.10	3.87
Contributions by scheme participants	8.45	8.59		
Actuarial gains and losses	17.53	243.03	-1.39	6.63
Benefits paid	-20.39	-21.00	-4.21	-4.33
Past service costs				
<b>31st March</b>	<b>784.72</b>	<b>1087.65</b>	<b>60.77</b>	<b>66.94</b>

Reconciliation of fair value of the scheme assets:

	LGPS	LGPS
	2008/09	2009/10
	£M's	£M's
<b>1st April</b>	<b>487.14</b>	<b>421.92</b>
Expected rate of return	33.66	24.88
Actuarial gains and losses	-113.11	126.87
Employer contributions	26.17	27.23
Contributions by scheme participants	8.45	8.59
Benefits paid	-20.39	-21.00
<b>31st March</b>	<b>421.92</b>	<b>588.49</b>

The actual return on scheme assets in the year was +£151.75m (2008/09 -£79.45m)

Scheme history:

	2009/10	2008/09	2007/08	2006/07*	2005/06*
			As restated		
	£M's	£M's	£M's	£M's	£M's
Present value of liabilities:					
• LGPS – funded scheme	-1,087.65	-784.72	-711.39	-781.22	-732.06
• LGPS - unfunded	-26.27	-23.91	-24.12	-65.28	-63.31
• Teachers *	-40.67	-36.86	-38.15		
Fair value of assets in LGPS	588.49	421.92	487.14	498.46	459.20
Surplus/deficit(-) in the scheme:					
• LGPS – funded scheme	-499.16	-362.80	-224.25	-348.04	-336.17
• LGPS – unfunded *	-26.27	-23.91	-24.12		
• Teachers *	-40.67	-36.86	-38.15		
<b>TOTAL</b>	<b>-566.10</b>	<b>-423.57</b>	<b>-286.52</b>	<b>-348.04</b>	<b>-336.17</b>

## NOTES TO THE BALANCE SHEET

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-point market value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for periods ending 2006 is shown at mid-market value and have not been re-measured as permitted by FRS17 (revised)

\* For the years 2005/06 and 2006/07 the figure for unfunded liabilities includes teachers as there was no information available on the split between funded and unfunded. Similarly no figures are available for the split of the scheme deficit or surplus into unfunded and funded for those years.

### Assumptions:

The main assumptions used by the actuary have been as follows:-

	31/03/10	31/03/09	31/03/08	31/03/07	31/03/06
<b>Financial assumptions:</b>	%	%	%	%	%
Discount rate	5.5	6.6	6.8	5.3	4.9
Rate of increase in salaries	5.4	5.0	5.2	4.7	4.5
Rate of increase in pensions payments	3.9	3.5	3.7	3.2	3.0
Rate of increase in deferred pensions	3.9	3.5	3.7	3.2	3.0
Rate of inflation	3.9	3.5	3.7	3.2	3.0
<b>Long term expected rates of return on:-</b>					
Equities	8.0	7.0	7.6	7.7	7.3
Government Bonds	4.5	4.0	4.6	4.7	4.3
Corporate Bonds	5.5	5.8	6.8	5.3	4.9
Property	8.5	6.0	6.6	6.7	6.3
Cash/Other assets	0.7	1.6	6.0	5.6	4.6
Average long term expected rate of return	7.2	5.9	6.32	7.0	6.6
	<b>31/03/10</b>	<b>31/03/09</b>	<b>31/03/08</b>		
<b>Mortality assumptions:</b>					
Longevity at 65 for current (currently aged 65) pensioners					
Men	21.6	21.5	20.6		
Women	23.6	23.5	22.7		
Longevity at 65 for future (currently aged 45) pensioners					
Men	23.9	23.7	22.5		
Women	25.8	25.7	23.9		

The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held :-

	31/03/10	31/03/09	31/03/08	31/03/07	31/03/06
	%	%	%	%	%
Equities	69	68	69	75	76
Bonds	14	16	19	18	17
Other	17	16	12	7	7

## NOTES TO THE BALANCE SHEET

### History of experienced gains and losses:

	<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>	<u>2005/06</u>
	£M's	£M's	£M's	£M's	£M's
<b>LGPS - Funded</b>					
Difference between expected and actual return on scheme assets (gains/-losses)	126.87	-113.11	-58.53	-1.96	62.01
Experience gains/-losses on scheme liabilities	8.35	-2.81	5.04	-1.99	0.48
<b>LGPS – Unfunded</b>					
Experience gains/-losses	1.11	0.54	-0.17		
<b>Teachers' - Unfunded</b>					
Experience gains/-losses	1.42	1.81	-0.27		

In accordance with paragraph 79 of FRS 17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of experience gain/(loss) on liabilities shown has not been re-stated for periods ending 2007 and 2006 and includes the experience relating to unfunded liabilities.

### 18. Financial Instrument Adjustment Account

The notes on financial instruments (investments and loans in our case) on the following pages are the requirement of UK GAAP and are more readily associated with the banking and investment industry. UK GAAP 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 31/03/10 in the 'fair value' disclosure.

### TYPES OF FINANCIAL INSTRUMENTS

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

## NOTES TO THE BALANCE SHEET

**TABLE 1 – FINANCIAL INSTRUMENT BALANCES**

	Long-Term		Current		Total	
	31st March 2010 £000s	31st March 2009 £000s	31st March 2010 £000s	31st March 2009 £000s	31st March 2010 £000s	31st March 2009 £000s
<b>Borrowings</b>						
Financial liabilities at amortised cost	342,626	344,438	7,102	11,381	349,728	355,819
<b>Total borrowings</b>	<b>342,626</b>	<b>344,438</b>	<b>7,102</b>	<b>11,381</b>	<b>349,728</b>	<b>355,819</b>
<b>Investments</b>						
Loans and receivables	8,080	11,080	76,765	77,896	84,845	88,976
Available-for-sale financial assets	0	0	0	0	0	0
Fair value through Profit and Loss	0	0	21,965	21,867	21,965	21,867
Unquoted equity valued at cost	50	50	0	0	50	50
<b>Total investments</b>	<b>8,130</b>	<b>11,130</b>	<b>98,730</b>	<b>99,763</b>	<b>106,860</b>	<b>110,893</b>

### Notes

Lender Option / Borrower Option Loans (LOBO's) of £38m have been included in long term borrowing but have an option date in the next 12 months.

The Council holds a one third shareholding (£50,000 'A' shares) in the Swansea Stadium Management Company Limited, a joint venture between the Council, Swansea City Association Football Club Ltd and Ospreys Rugby Ltd. 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 Council's shareholding is such that it has an ultimate casting vote on any resolution relating to:-

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

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

## NOTES TO THE BALANCE SHEET

### GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

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

2009/10	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Fair value through P&L £000s	Total £000s
Interest expense	19,274	0	0	19,274
Premiums on repayment	0	0	-242	-242
<b>Interest payable and similar charges</b>	<b>19,274</b>	<b>0</b>	<b>-242</b>	<b>19,032</b>
Interest income	0	1,466	269	1,735
<b>Interest and investment income</b>	<b>0</b>	<b>1,466</b>	<b>269</b>	<b>1,735</b>
Change in fair value	0	0	-58	-58
<b>Net gain/(loss) for the year</b>	<b>19,274</b>	<b>1,466</b>	<b>-31</b>	<b>20,709</b>

## NOTES TO THE BALANCE SHEET

2008/09 Comparative Table	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Fair value through P&L £000s	Total £000s
Interest expense	-20,408	0	0	-20,408
Premiums on repayment	-23	0	0	-23
<b>Interest payable and similar charges</b>	<b>-20,431</b>	<b>0</b>	<b>0</b>	<b>-20,431</b>
Interest income	0	7,960		7,960
Discount on repayment	90	0		90
<b>Interest and investment income</b>	<b>90</b>	<b>7,960</b>	<b>0</b>	<b>8,050</b>
Change in fair Value			1,222	1,222
<b>Net gain/(loss) for the year</b>	<b>-20,341</b>	<b>7,960</b>	<b>1,222</b>	<b>-11,159</b>

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

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

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

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

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

## NOTES TO THE BALANCE SHEET

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

The calculations are made with the following assumptions:

- For Public Works Loan Board (PWLB) debt, the discount rate used is the rate for new borrowing as per rate sheet as at 31<sup>st</sup> March 2010.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

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

	31st March 2010		31st March 2009	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
PWLB - maturity	241,181	287,284	246,211	302,847
PWLB - annuity	7,688	9,791	8,548	11,267
PWLB - EIP	128	141	179	204
PWLB - variable	0	0	0	0
LOBOs	99,613	112,948	99,613	99,921
LOBO range accruals	0	0	0	0
Bank overdraft	0	0	0	0
<b>Financial liabilities</b>	<b>348,610</b>	<b>410,164</b>	<b>354,551</b>	<b>414,239</b>

Fair value is more than the carrying amount because the Council'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 Council would have to pay if the lender requested or agreed to early repayment of the loans. The fair value of the PWLB Loans using the repayment rate is £313,162k

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

	31st March 2010		31st March 2009	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Cash	37,965	37,965	15,708	15,708
Deposits with banks and building societies	46,947	47,232	73,188	73,476
Loan to GCDT	80	80	80	80
<b>Financial assets</b>	<b>84,992</b>	<b>85,277</b>	<b>88,976</b>	<b>89,264</b>

## NOTES TO THE BALANCE SHEET

The fair value is higher than the carrying amount because the Councils portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of loans.

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

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

#### 1. Credit Risk

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

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

**TABLE 5 – CREDIT RISK (A)**

	Amounts at 31 March 2010 £000s	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2010 %	Estimated maximum exposure to default and uncollectability £000s
Deposits with banks and other financial institutions	84,765	0	0	0
Loan to Gorseinon CDT	80	0	0	n/a
Bonds and other securities	21,965	0	0	0
Customers	13,147	20	22.5	2,961
<b>Total</b>	<b>119,957</b>			<b>2,961</b>



## NOTES TO THE BALANCE SHEET

	Amounts at 31 March 2009 £000s	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2009 %	Estimated maximum exposure to default and uncollectability £000s
Deposits with banks and other financial institutions	89,953	0	0	0
Loan to Gorseinon CDT	80	n/a	n/a	0
Bonds and other securities	20,373	0	0	0
Customers	13,385	8	20	2,677
<b>Total</b>	<b>123,791</b>			<b>2,677</b>

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

### Debtors

The Council does not generally allow credit for customers. The past due amount can be analysed by age as follows:

**TABLE 6 - CREDIT RISK (B)**

	31-Mar-09 £000s	31-Mar-10 £000s
Less than three months	9,575	8,858
Three to six months	599	173
Six months to one year	843	1,361
More than one year	2,368	2,756
<b>Total</b>	<b>13,385</b>	<b>13,148</b>

### 2. Liquidity Risk

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

## NOTES TO THE BALANCE SHEET

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

**TABLE 7 – LIQUIDITY RISK**

On 31 March 2009 £000s	Loans outstanding	On 31 March 2010 £000s
250,707	Public Works Loans Board	244,824
98,000	Market debt / LOBOs	98,000
1,254	Temporary borrowing	1,090
13	Local bonds	4
1	Other	1
<b>349,975</b>	<b>Total</b>	<b>343,919</b>
On 31 March 2009 £000s	Loans outstanding	On 31 March 2010 £000s
7,150	Less than 1 year	7,072
5,978	Between 1 and 2 years	6,084
18,542	Between 2 and 5 years	19,782
19,802	Between 5 and 10 years	12,479
298,503	More than 10 years	298,502
<b>349,975</b>	<b>Total</b>	<b>343,919</b>

In the more than 10 years category there are £38m (2008/09 £48m) of LOBOs which have a call date in the next 12 months.

### **3. Market Risk**

Interest rate risk -

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

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

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

## NOTES TO THE BALANCE SHEET

It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Statement of Total Recognised Gains and Losses.

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

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council'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 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

### TABLE 8 – INTEREST RATE RISK

	£000s
Increase in interest payable on variable rate borrowings	380
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	0
<b>Impact on Income and Expenditure Account</b>	<b>380</b>
<b>Share of overall impact debited to the Housing Revenue Account</b>	<b>76</b>
Decrease in fair value of 'available for sale' investment assets	0
<b>Impact on Statement of Recognised Gains and Losses</b>	<b>0</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on Income & Expenditure Account or Statement of Total Recognised Gains and Losses)	59,397
Decrease in fair value of fixed rate investment assets (no impact on Income & Expenditure Account or Statement of Total Recognised Gains and Losses)	306

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

### Foreign Exchange Risk

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

## NOTES TO THE BALANCE SHEET

### Financial Instruments Adjustment Account

31/03/2009 £'000	31/03/2010 £'000
-1,242 Balance brought forward	-1,051
443 PWLB Premia amortisation	355
-239 PWLB Discounts amortisation	-306
-8 LOBO equivalent interest rate amortisation	-8
-5 Notional advances right to buy sales	-2
-1,051	-1,012
Published Balance as at 31st March	

### 19. Post Balance Sheet Events

#### FRS 17 Pension Liabilities in the City and County of Swansea Pension Fund

In its budget on 22 June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases are currently determined by reference to the Retail Price Index (RPI).

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI is therefore expected to result in a reduction in the pensions liabilities and therefore the pension deficit on the balance sheet. The change will also impact upon the income and expenditure / profit and loss account over the next accounting period.

Hewitt have estimated that the impact on the balance sheet if the CPI change had occurred at the accounting date would have been to reduce the value of the liabilities on the balance sheet by between 8% and 10%, with the exact figure depending on the membership profile of the employer. Hewitt have based this estimate on the FRS17 assumptions applicable at the accounting year end, and allowing for CPI increases being lower than RPI increases by around 0.7% p.a. in the long term (Hewitt's best estimate of the differential at the accounting date). The actual figure will also reflect the date of measurement and assumptions used when producing next year's figures.

It is anticipated that the reduction in liabilities will be accounted for as a (negative) past service cost i.e. this change constitutes a change to benefits since pension scheme members will expect a lower benefit following the change.

It is also anticipated that the move to CPI will reduce the interest cost and current service cost calculated for the next accounting period compared to the position if pension increases remained linked to the RPI.

## NOTES TO THE CASHFLOW STATEMENT

### Cashflow Statement Notes:-

<b>Note 1 - Reconciliation of deficit to net cash flow</b>	<b>31/03/2009</b>	<b>31/03/2010</b>
<b>Deficit for the year</b>	-32,130	-48,539
<b>Non cash transactions</b>	50,382	74,024
<b>Items on an accrual basis</b>		
Add: Decrease in stock	467	70
Add: Decrease in revenue debtors	6,119	-4,822
Add: Increase in revenue creditors	-3,561	-10,041
<b>Net cash flow from revenue activities</b>	<b>21,277</b>	<b>10,692</b>

### Note 2 - Reconciliation of the movement in cash to the movement in net debt

	<b>Balance 31/03/2009 £'000</b>	<b>Cash Flow £'000</b>	<b>Non cash £'000</b>	<b>Balance 31/03/2010 £'000</b>
Temporary Investments	99,411	-842		98,569
Financing: - Maturing within one year	-11,381	4,243	36	-7,102
Long Term	-344,438	1,812		-342,626
Cash	527	-54		473
Bank overdrawn	-22,757	-16,994		-39,751
	<b>-278,638</b>	<b>-11,835</b>	<b>36</b>	<b>-290,437</b>

### Note 3 - Movement in cash

	<b>Balance 31/03/2009 £'000</b>	<b>Cash Flow £'000</b>	<b>Balance 31/03/2010 £'000</b>
Cash	527	-54	473
Bank overdrawn	-22,757	-16,994	-39,751
	<b>-22,230</b>	<b>-17,048</b>	<b>-39,278</b>

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

<u>2008/09</u>		<u>2009/10</u>
<u>£'000</u>		<u>Note</u> <u>£'000</u> <u>£'000</u>
	<b><u>Income</u></b>	
-39,609	Dwelling rents	-41,768
-96	Non dwelling rents	-99
-2,169	Charges for services and facilities	-2,058
-1,118	Contributions towards expenditure	-799
-9,100	MRA Applied	-9,100
-890	Government grants deferred	-890
<u>-52,982</u>		<u>-54,714</u>
	<b><u>Expenditure</u></b>	
13,378	Repairs and Maintenance	13,372
12,115	Supervision and management	12,744
569	Rent, Rates and Other Charges	714
6,313	Negative Housing revenue account subsidy payable	8   6,200
12,864	Depreciation and impairment of fixed assets	6   19,765
83	Revenue expenditure funded from capital under statute	80
37	Debt management costs	34
251	Increase in bad debt provision	2   268
<u>45,610</u>		<u>53,177</u>
<b>-7,372</b>	<b>Net cost of HRA services per authority income and expenditure account</b>	<b>-1,537</b>
638	HRA services share of corporate and democratic core	9   670
<u><b>-6,734</b></u>	<b>Net cost of HRA services</b>	<u><b>-867</b></u>
4,358	Interest payable and similar charges	4,042
-461	Interest and investment income	-40
955	Pensions interest cost and expected return on pension assets	1,552
<u>4,852</u>		<u>5,554</u>
<u><b>-1,882</b></u>	<b>Surplus(-)/deficit on HRA services</b>	<u><b>4,687</b></u>

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

<u>2008/09</u>		<u>2009/10</u>	
<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
-1,882	Surplus (-) / Deficit for the year on the HRA income/expenditure account		4,687
807	Net amount required by statute to be debited or credited (-) to the HRA balance for the year (see note below)		-5,424
<b>-1,075</b>	<b>Increase (-) / Decrease in the Housing Revenue Account balance</b>		<b>-737</b>
9,491	Housing Revenue Account balance brought forward		10,470
10,470	Housing Revenue Account balance carried forward		11,207
96	Housing Revenue Account Affordable Housing Reserve		96

### Note to Statement of Movement on the HRA balance

<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
	<b>Items included in the HRA income and expenditure account but excluded from the HRA balance for the year</b>		
-12,864	Depreciation and impairment of fixed assets (note 6)	-19,765	
9,990	Government grants deferred amortisation	9,990	
-83	Revenue expenditure funded from capital under statute	-80	
325	Appropriations to capital receipts	-19	
-1,882	Net charges for retirement benefits made in accordance with FRS17 (note 7)	-2,512	
<b>-4,514</b>			<b>-12,386</b>
	<b>Items not included in the HRA income and expenditure account but included in the HRA balance for the year</b>		
1,268	Employers contributions payable to the City and County of Swansea pension fund (note 7)	1,290	
0	Amortisation of premiums and discounts	-101	
1,593	HRA minimum revenue provision	1,547	
2,460	Capital expenditure funded by the HRA	4,226	
			<b>6,962</b>
<b>807</b>	<b>Net adjustment required by statute to be debited or credited (-) to the Housing revenue Account balance</b>		<b>-5,424</b>

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

### **1. Housing Stock**

As at 31st March 2010 the Council owned a total of 13,643 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>31/03/2009</b>		<b>31/03/2010</b>
<b>Units</b>		<b>Units</b>
13,689	Stock at 1 <sup>st</sup> April	13,654
-17	Sales	-13
-19	Demolitions/out of income	0
1	New buildings, acquisitions, brought back into income	2
<u>13,654</u>	Stock at 31 <sup>st</sup> March	<u>13,643</u>

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

#### **Rent arrears**

<b>31/03/2009</b>		<b>31/03/2010</b>
<b>£'000</b>		<b>£'000</b>
1,100	Current tenants	1,028
472	Former tenants	482
<u>1,572</u>		<u>1,510</u>

Former tenants arrears written off during 2009/10 totalled £0.398m (2008/09 £0.404m). The value of the provision at 31st March 2010 is £0.917m (31st March 2009 £1.048m). A bad debts provision has been made in the accounts in respect of potentially uncollectable rent arrears.

#### **Provisions for bad debts**

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
-1,201	Provisions as at 1st April	-1,048
404	Arrears written off during year	399
-251	Increase in provision required	-268
<u>-1,048</u>	Provisions as at 31st March	<u>-917</u>

### **3. Capital expenditure**

During 2009/10 £14.253m (2008/09 £13.028m) was spent on Council Housing.

This was financed as follows:-

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
9,100	Grants – Major Repairs Allowance	9,100
1,544	Capital Receipts	79
2,384	Revenue and Balances	5,074
<u>13,028</u>		<u>14,253</u>



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

The capital expenditure was incurred on HRA assets as follows:

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
162	Land	484
12,866	Council dwellings	13,769
<u>13,028</u>		<u>14,253</u>

The Major Repairs Allowance of £9.1m was used in full during the year.

The Capital Expenditure on Council Housing did not add value to the properties of the Council and has been impaired during the year.

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

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

Revenue expenditure funded from capital under statute totalling £80k was charged to the Housing Revenue Account in 2009/10 (2008/09 £84k).

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

Capital receipts received during the year in respect of the sale of HRA properties amounted to £0.795m. Of this £0.527m was set aside for the repayment of debt and £17k was used to defray costs.

The following is a summary of the Usable capital receipts reserve as it applies to the Housing Revenue Account:-

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
5,643	Opening balance 1 <sup>st</sup> April	4,927
1,556	Receipts during the year	795
-706	Less set asides	-527
-22	Less other costs	-17
-83	Less transfer to revenue	0
<u>6,388</u>	Available to use	<u>5,178</u>
-1,461	Less applied	-79
<u><b>4,927</b></u>	<b>Balance available as at 31st March</b>	<u><b>5,099</b></u>

Capital receipts were as follows:

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
959	Council Houses	693
198	Land	47
399	Other	55
<u><b>1,556</b></u>		<u><b>795</b></u>

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

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

The total charge for depreciation and impairment made to the HRA for 2009/10 amounted to £19.765m (2008/09 £12.864m) and is analysed as follows:-

2008/09 £'000		2009/10 £'000
	Depreciation on operational assets	
2,562	- dwellings	2,730
26	- other land and buildings	22
	Impairment -	
10,116	- dwellings	16,598
160	- other land and buildings	415
0	Depreciation on non operational assets	0
<b>12,864</b>	<b>Total</b>	<b>19,765</b>

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

### **7. FRS 17 – Accounting for pension costs.**

Supervision and management costs shown within the income and expenditure account includes a sum of £2.512m (2008/09 £1.882m) which is the cost calculated by the Council'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. Negative Housing Subsidy**

The Housing Revenue Account subsidy system was introduced from 1990/91 by the 1989 Local Government and Housing Act. The subsidy is based on a Notional Housing Revenue Account and includes an income and expenditure figure based on specific Government guidelines. The difference between the notional income and expenditure is the subsidy. If income exceeds expenditure this results in a notional surplus that is repaid to the Government as a negative subsidy.

### **9. HRA share of Corporate and Democratic Core Costs**

This constitutes an estimate – set at 5% (2008/09 5%) of gross supervision and management costs – of the cost of housing staff in supporting the corporate and democratic functions of the Council. This does not represent an additional cost to the HRA but is a pure apportionment of existing cost.

## **ASSET STRUCTURE**

Major fixed assets held by the Council at 31 March 2010.

<b>Number 31/03/2009</b>		<b>Number 31/03/2010</b>
	<b>Community Regeneration</b>	
3	• Residential Activity Centres	3
5	• Youth Clubs	5
35	• Community Centres	33
10	• Senior Citizen Pavilions	10
1	• Info Nation (Youth Information Service)	1
	<b>Corporate Building Services</b>	
1	• Heol y Gors Depot	1
1	• Penlan Storage Depot	1
1	• Linden Avenue Depot	1
1	• Criccieth Place Depot	1
	<b>Corporate Property</b>	
1	• Enterprise Park	1
10	• Industrial/Warehousing Sites	10
1	• Civic Centre (Swansea)	1
1	• Civic Centre (Penllergaer)	1
1	• Guildhall (and Annex)	1
1435	• Residential Freeholds	1419
1	• St David's Shopping Centre	1
1	• The Quadrant Shopping Centre	1
	<b>Culture &amp; Tourism</b>	
4	• Leisure Centres	4
1	• LC2	1
43	• Pavilions/Changing Rooms	43
2	• 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
77	• Parks & Open Spaces (497 Hectares)	77
970	• Foreshore	970
Hectares		Hectares
103	• Children's Playgrounds	103
1	• Caravan Parks	1
1	• Tourist Information Centres	1
1	• Stadium	1
1	• Bowls Hall	1
4	• Museums	4
1	• Art Gallery	1

## ASSET STRUCTURE

Number 31/03/2009		Number 31/03/2010
18	<ul style="list-style-type: none"> <li>• Libraries</li> </ul>	17
	<b>Economic Development</b>	
1	<ul style="list-style-type: none"> <li>• Shopmobility</li> </ul>	1
1	<ul style="list-style-type: none"> <li>• City Centre Offices</li> </ul>	1
1	<ul style="list-style-type: none"> <li>• Market</li> </ul>	1
1	<ul style="list-style-type: none"> <li>• Business Centre, Swansea</li> </ul>	1
	<b>Education</b>	
82	<ul style="list-style-type: none"> <li>• Primary/Junior/Infants/Nursery School (excluding Church Schools)</li> </ul>	82
14	<ul style="list-style-type: none"> <li>• Secondary Schools (excluding Church Schools)</li> </ul>	14
6	<ul style="list-style-type: none"> <li>• Special Schools/Referral Units</li> </ul>	6
4	<ul style="list-style-type: none"> <li>• Community Education</li> </ul>	4
	<b>Environmental Health</b>	
7	<ul style="list-style-type: none"> <li>• Cemeteries</li> </ul>	7
1	<ul style="list-style-type: none"> <li>• Crematorium</li> </ul>	1
5	<ul style="list-style-type: none"> <li>• Cemetery Lodges/Chapel of Rest</li> </ul>	5
1	<ul style="list-style-type: none"> <li>• Designated New Cemetery (not yet operational)</li> </ul>	1
	<b>Environmental Protection</b>	
1	<ul style="list-style-type: none"> <li>• Marina</li> </ul>	1
1	<ul style="list-style-type: none"> <li>• Barrage</li> </ul>	1
5	<ul style="list-style-type: none"> <li>• Refuse Collection – Amenity Sites</li> </ul>	5
1	<ul style="list-style-type: none"> <li>• Landfill Sites</li> </ul>	1
	<b>Highways &amp; Fleet Management</b>	
102 Kms	<ul style="list-style-type: none"> <li>• Principal Roads</li> </ul>	102 Kms
227 Kms	<ul style="list-style-type: none"> <li>• Other Classified Roads</li> </ul>	229 Kms
750 Kms	<ul style="list-style-type: none"> <li>• Other Roads</li> </ul>	756 Kms
2	<ul style="list-style-type: none"> <li>• Depots</li> </ul>	2
	<b>Housing</b>	
13,654	<ul style="list-style-type: none"> <li>• Council Dwellings</li> </ul>	13643
9	<ul style="list-style-type: none"> <li>• Area Housing Offices</li> </ul>	9
	<b>Marketing Communications &amp; Scrutiny</b>	
1	<ul style="list-style-type: none"> <li>• Mansion House</li> </ul>	1
	<b>Performance and Strategic Planning</b>	
1	<ul style="list-style-type: none"> <li>• West Cross Bunker</li> </ul>	1
	<b>Planning</b>	
1	<ul style="list-style-type: none"> <li>• Garth Farm</li> </ul>	1
1	<ul style="list-style-type: none"> <li>• Bishopwood Centre</li> </ul>	1
6	<ul style="list-style-type: none"> <li>• Local Nature Reserves</li> </ul>	6
	<b>Social Services</b>	
14	<ul style="list-style-type: none"> <li>• Residential &amp; Respite Facilities</li> </ul>	14

**ASSET STRUCTURE**

<b>Number 31/03/2009</b>		<b>Number 31/03/2010</b>
16	• Day & Social Centres/Activities	16
3	• Residential & Day Centres/Activities (combined on same site)	3
9	• Offices/Resource Centres	8
4	• Other major assets	4
	<b>Transportation</b>	
51	• Car Parks	51



# CITY & COUNTY OF SWANSEA PENSION FUND

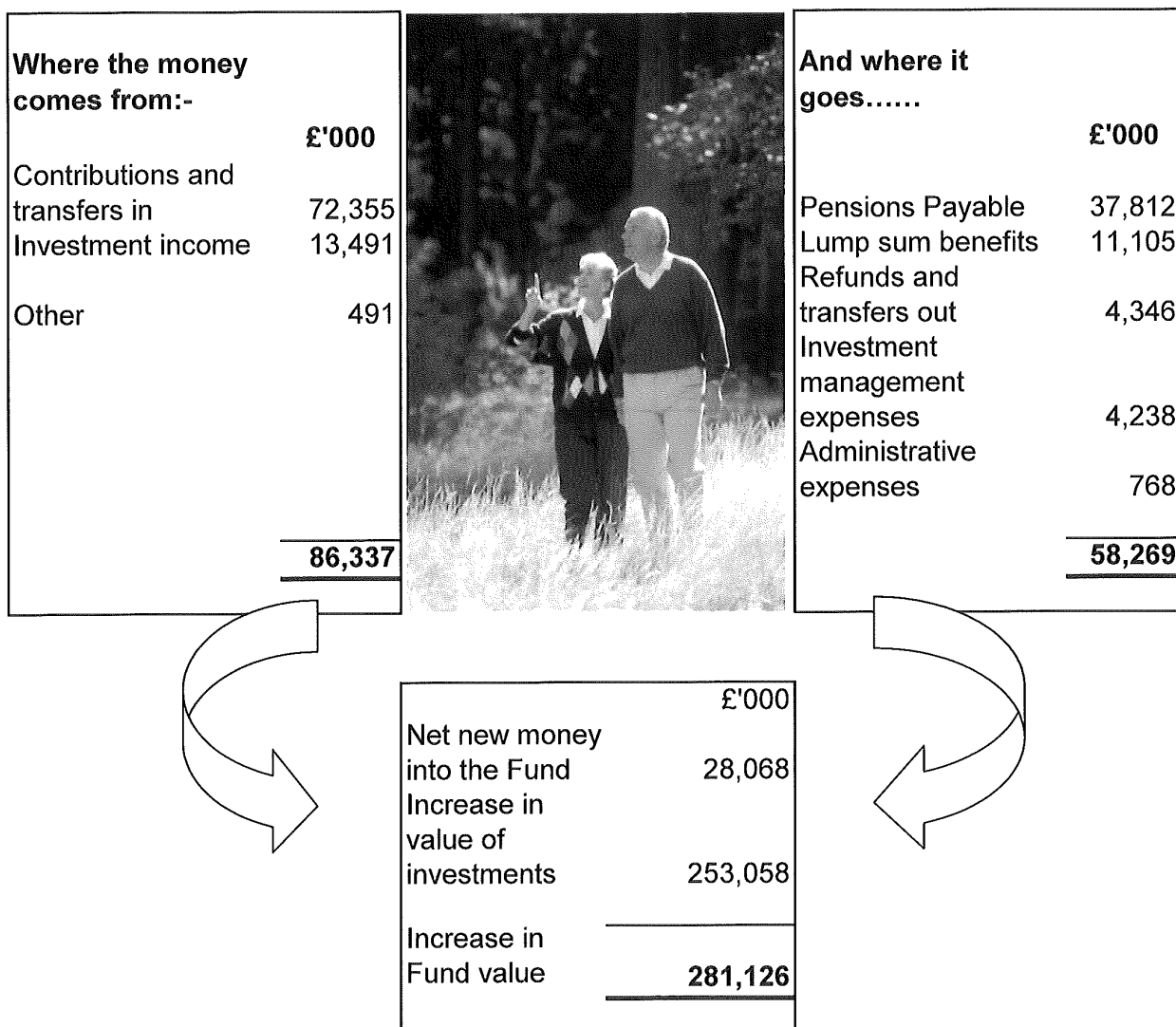
## 1. Introduction

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 Council. 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 31 March 2010.
- The Notes to the Account designed to provide further explanation of some of the figures in the statements and to give a further understanding of the nature of the fund.

## 2. Summary of transactions for the year

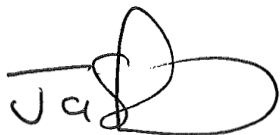




## CITY & COUNTY OF SWANSEA PENSION FUND

### Section 151 Officer's Certificate

I hereby certify that the statement of accounts on pages 86 to 104 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2010.



24. 9. 10.



## CITY & COUNTY OF SWANSEA PENSION FUND

### Fund Account

2008/09	Notes	2009/10	
£'000		£'000	£'000
<b>Contributions and benefits :</b>			
Contributions receivable :			
47,678 Employers contribution	3	51,170	
15,245 Employees contribution	3	15,992	
3,391 Transfers in	4	5,193	72,355
1,512 Other income (inc Tax reclaim)	5		491
<b>67,826</b>			<b>72,846</b>
Benefits payable :			
-35,275 Pensions payable		-37,812	
-9,690 Lump sum benefits	6	-11,105	-48,917
Payments to and on account of leavers :			
-12 Refunds of contributions		-10	
-3,274 Transfers out	7	-4,336	-4,346
-553 Administrative expenses (inc SLA)	8		-768
<b>19,022</b>			<b>18,815</b>
<b>Net additions /withdrawals(-) from dealing with members</b>			
<b>19,022</b>			<b>18,815</b>
 <b>Returns on investments</b>			
8803 Investment income	9		13,491
Change in market value of investments			
-138,251 Unrealised	12	237,248	
-14,887 Realised	14	15,810	253,058
-1,217 Investment management expenses	8		-4,238
<b>-145,552</b>			<b>262,311</b>
<b>Net returns on investments</b>			
<b>-126,530</b>			<b>281,126</b>
<b>Net increase/decrease(-) in the fund during the year</b>			
862,215 Opening Net Assets of the Fund			735,685
735,685 Closing Net Assets of the Fund			1,016,811



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

### **Net Assets Statement**

<b>31st March 2009 £'000</b>	<b>Notes</b>	<b>31st March 2010 £'000</b>
<b>Investments at market value:</b>		
108,012 Fixed interest	11	122,023
16,310 Index linked securities	11	16,324
225,810 U.K. equities	11	344,091
5,432 Property	11	31,411
33,865 Hedge Funds	11	40,422
1,961 Private Equity	11	2,163
14,897 Global Tactical Asset Allocation (GTAA)	11	16,761
234,585 Overseas Equities	11	351,770
89,494 Cash/Temporary Investments	12	89,368
8,678 Current Assets	16	5,841
-3,359 Current Liabilities	16	-3,363
<b>735,685 Net assets</b>		<b>1,016,811</b>

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Investment Panel. They do not take account of liabilities and other benefits 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.

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

## **Notes to the Accounts**

### **1. Basis of preparation**

The accounts have been prepared in accordance with Chapter 2 of the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007) and summarise the transactions and net assets of the Fund.

### **2. Accounting Policies**

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

#### **(a) Contributions**

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

Employers' 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.

#### **(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.

ii) Securities with a full U.K. Stock Exchange listing are valued at the bid price where there is a bid/offer spread. Investments held in quoted pooled investment vehicles are valued at the closing bid price at 31 March.

iii) Unit trusts are valued at the Managers' bid prices at 31st March.

iv) Unquoted securities and pooled investment vehicles are valued by the relevant investment managers.

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

### **(d) Investments (continued)**

v) Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income.

vi) Investment management fees are accounted for on an accruals basis. Acquisition costs are included in the purchase cost of investments.

vii) Transaction costs are included in the cost of purchases and sales proceeds.

viii) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.

### **e) 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 revenue account.

### **f) Other**

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

### **3. Analysis of Contributions**

<b>Total Contributions</b>	<b>Total Contributions</b>
<b>2008/09 £'000</b>	<b>2009/10 £'000</b>
<b><u>Admitted Bodies</u></b>	
58 BAPTIE	43
389 Celtic Community Leisure	359
23 Colin Laver Central Heating	22
10 Swansea Bay Racial Equality Council	19
93 Wales National Pool	96
106 Capgemini	111
<b><u>Scheduled Bodies</u></b>	
1 Briton Ferry Town Council	0
35,349 City & County of Swansea	36,393
3 Cilybebyll Community Council	4
24 Coedffranc Community Council	26
456 Gorseinon College	468
1,133 Neath Port Talbot College	1,245
37 Neath Town Council	35
22,757 Neath Port Talbot County Borough Council	25,859
24 Margam Joint Crematorium Committee	22
12 Pelenna Community Council	14
24 Phoenix Trust	23
13 Pontardawe Town Council	13
34 Swansea Bay Port Health Authority	35
1,243 Swansea College	1,158
89 Swansea City Waste Disposal	92
1,045 Swansea Metropolitan University	1,125
<b>62,923 Total Contributions Receivable</b>	<b>67,162</b>

## CITY & COUNTY OF SWANSEA PENSION FUND

### Contributions (continued)

Total Employer/Employee contributions comprises of:

2008/09		2009/10
£'000		£'000
	<b>Employers</b>	
46,666	Normal	50,390
2	Other	8
1,010	Early Access	772
<b>47,678</b>	<b>Total</b>	<b>51,170</b>
	<b>Employees</b>	
15,175	Normal	15,927
70	Other	65
<b>15,245</b>	<b>Total</b>	<b>15,992</b>

### 4. Transfers In

Transfers in comprises of:

2008/09		2009/10
£'000		£'000
	<b>Transfers In</b>	
0	Group Transfers from other Schemes	0
3,391	Individual transfers from other schemes	5,193
<b>3,391</b>	<b>Total</b>	<b>5,193</b>

### 5. Other Income

Other income comprises of:

2008/09		2009/10
£'000		£'000
	<b>Other Income</b>	
1,471	Bank Interest	455
0	Tax	0
41	Early Access - Interest	36
<b>1,512</b>	<b>Total</b>	<b>491</b>

Other Income relates to bank interest, V.A.T debtor, miscellaneous income, commission recapture and tax reclaimed.

### 6. Lump Sum Benefits

The lump sum benefits paid comprise of:

2008/09		2009/10
£'000		£'000
9,111	Commutation lump sums	9,747
579	Death grant lump sums	1,358
<b>9,690</b>	<b>Total</b>	<b>11,105</b>

## CITY & COUNTY OF SWANSEA PENSION FUND

### 7. Payments to and on account of leavers

Transfers out and refunds comprise of:

2008/09		2009/10
£'000		£'000
	Transfers Out & Refunds	
0	Group Transfers to other Schemes	0
12	Refunds to members leaving service	10
3,274	Individual transfers to other schemes	4,336
<b>3,286</b>	<b>Total</b>	<b>4,346</b>

### 8. Administrative and Investment Manager Expenses

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

2008/09		2009/10
£'000		£'000
553	Administrative Expenses	768
1,217	Investment Management Expenses	4,238
<b>1,770</b>	<b>Total</b>	<b>5,006</b>

Investment expenses comprise investment management fees, adviser's fees, performance measurement fees, and tax deducted from overseas investments and currency adjustments.

### 9. Investment Income

2008/09		2009/10
£'000		£'000
126	Fixed Interest Securities	4
5,914	U.K. Equities	8,436
2,314	Overseas Equities	4,165
0	Property Fund	291
449	Interest	595
<b>8,803</b>		<b>13,491</b>

Income is derived from dividends and interest received from equities, bonds and cash. The investment income in note 9 denotes the investment income derived from Schrodgers equity and fixed interest portfolio and JP Morgan and Aberdeen for their global equity portfolios.

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 will reflect both capital appreciation / depreciation plus reinvested investment income.

It is possible to identify the amount of income reinvested back into the Legal and General fund. In the year 2009/10 it was £8,029k (2008/09 £9,277k).

## CITY & COUNTY OF SWANSEA PENSION FUND

### 10. Taxation

#### a) United Kingdom

The Fund is exempt from Income Tax on interest 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 with the particular exception of the United States of America which has entered a new double taxation treaty effective as at 1 May 2003.

### 11. Investment Assets

	2009			2010		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
<b>Equities</b>						
Quoted	145.4	150.0	295.4	228.6	220.4	449.0
<b>Pooled investment vehicles</b>						
Managed Funds:						
Quoted:						
Fixed Interest	0.0	66.7	66.7	0.0	76.1	76.1
Index-Linked	0.0	0.0	0.0	0.0	0.0	0.0
Unquoted:						
Equity	80.4	84.5	164.9	115.5	131.4	246.9
Fixed Interest	41.3	0.0	41.3	45.9	0.0	45.9
Index-linked	16.3	0.0	16.3	16.3	0.0	16.3
Property Unit Trust	1.8	0.0	1.8	13.8	0.0	13.8
Property Fund	0.0	3.6	3.6	14.1	3.7	17.8
Hedge Fund	0.0	33.9	33.9	0.0	40.5	40.5
Global Tactical Asset Allocation	0.0	14.9	14.9	0.0	16.8	16.8
Private Equity	0.0	1.9	1.9	0.0	2.2	2.2
<b>Total pooled investment vehicles</b>	<b>139.8</b>	<b>205.5</b>	<b>345.3</b>	<b>205.6</b>	<b>270.7</b>	<b>476.3</b>
<b>Total equities and pooled investment vehicles</b>	<b>285.2</b>	<b>355.5</b>	<b>640.7</b>	<b>434.2</b>	<b>491.1</b>	<b>925.3</b>

## CITY & COUNTY OF SWANSEA PENSION FUND

### 12. Changes in Investment Assets

	Value at 31.3.09 £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Value at 31.3.10 £'000
<b>Equities</b>					
Aberdeen	41,505	13,311	(10,647)	18,107	62,276
JPM	111,059	173,093	(170,849)	48,279	161,582
Schroders	145,414	38,983	(32,370)	73,096	225,123
L&G	164,930	8,745	(11,255)	84,460	246,880
	<u>462,908</u>	<u>234,132</u>	<u>(225,121)</u>	<u>223,942</u>	<u>695,861</u>
<b>Property</b>					
<b>UK &amp; Europe</b>					
Schroders	1,818	25,906	(1,277)	1,449	27,896
<b>Overseas</b>					
Partners	3,614	1,404	(1,323)	(180)	3,515
	<u>5,432</u>	<u>27,310</u>	<u>(2,600)</u>	<u>1,269</u>	<u>31,411</u>
<b>Fixed Interest</b>					
<b>Fixed Interest</b>					
L&G	41,310	8,920	(4,495)	179	45,914
Goldman	66,702	2,604	0	6,803	76,109
	<u>108,012</u>	<u>11,524</u>	<u>(4,495)</u>	<u>6,982</u>	<u>122,023</u>
<b>Index-Linked</b>					
L&G	16,310	0	(1,615)	1,629	16,324
	<u>16,310</u>	<u>0</u>	<u>(1,615)</u>	<u>1,629</u>	<u>16,324</u>
<b>Hedge Funds</b>					
Blackrock	15,695	0	0	4,248	19,943
Fauchier	18,170	0	0	2,309	20,479
	<u>33,865</u>	<u>0</u>	<u>0</u>	<u>6,557</u>	<u>40,422</u>
<b>Private Equity</b>					
HarbourVest	1,961	415	(73)	(140)	2,163
	<u>1,961</u>	<u>415</u>	<u>(73)</u>	<u>(140)</u>	<u>2,163</u>
<b>Global Tactical Asset Allocation</b>					
Blackrock (ex BGI)	14,897	0	0	1,864	16,761
	<u>14,897</u>	<u>0</u>	<u>0</u>	<u>1,864</u>	<u>16,761</u>
<b>Cash funds</b>					
L&G	11,367	13,013	(13,313)	1,037	12,104
Schroders	24,741	0	(24,676)	94	159
	<u>36,108</u>	<u>13,013</u>	<u>(37,989)</u>	<u>1,131</u>	<u>12,263</u>
<b>TOTAL</b>	<u><b>679,493</b></u>	<u><b>286,394</b></u>	<u><b>(271,893)</b></u>	<u><b>243,234</b></u>	<u><b>937,228</b></u>
<b>Cash</b>	<b>50,873</b>			<b>9,824</b>	<b>77,105</b>
<b>TOTAL</b>	<u><b>730,366</b></u>			<u><b>253,058</b></u>	<u><b>1,014,333</b></u>

## CITY & COUNTY OF SWANSEA PENSION FUND

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 £372,621 (2008/09: £1,261,563). Costs are also incurred by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

### 13. Concentration of Investments

The following investments represented more than 5% of the Plan's net assets at 31 March 2010:

	Value as at the 31/03/2010 £'000	Proportion of Net Asset %	Value as at the 31/03/2009 £'000	Proportion of Net Asset %
L&G UK Equity Index	115,468	11.4	80,396	11.5
Goldman Sachs Global Fixed Income GBP	n/a	n/a	44,345	6.3

### 14. Realised Profit on the Sale of Investments

2008/09 £'000	2009/10 £'000
3004 Fixed Interest	0
-606 Index Linked	0
673 U.K. Equities	-742
-17,958 Overseas	16,205
0 Property Fund	28
0 Cash Fund	319
<u><b>-14,887</b></u> Net Profit / Loss (-)	<u><b>15,810</b></u>



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

### **15. Fixed Interest and Index Linked Investments**

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

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
66,891	UK Public Sector	84,556
57,431	Other	53,791
<b>124,322</b>	<b>Total</b>	<b>138,347</b>

### **16. Current Assets and Liabilities**

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

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
	<b>Current Assets</b>	
5,376	Contributions	2,991
1,060	Dividends Due	1,008
2,242	Other	1,842
<b>8,678</b>		<b>5,841</b>
	<b>Current Liabilities</b>	
-242	Investment Management Expenses	-847
-3,117	Other	-2,516
<b>-3,359</b>		<b>-3,363</b>
<b>5,319</b>	<b>Net</b>	<b>2,478</b>

### **17. Capital and Contractual Commitments**

As at 31 March 2010 the Scheme was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £32.6m (2008/09: £34.5m).

### **18. Actuarial Report Extract from Pension Fund Annual Report and Accounts Applicable For Financial Year 2009/10.**

#### **Introduction**

The Fund Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City and County of Swansea Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2007, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997.

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

### **Actuarial Position**

1. Rates of contributions paid by the participating Employers during 2009/10 were based on the actuarial valuation carried out as at 31 March 2007.

2. The valuation as at 31 March 2007 showed that the funding ratio of the Fund had improved since the previous valuation with the market value of the Fund's assets at that date (of £857.0M) covering 71% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.

3. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2008 was as set out below:

- 15.2% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

**Plus**

- 6.8% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date, over a recovery period of 25 years from 1 April 2008.

**Less**

- 1.8% of pensionable pay in respect of assumed additional investment returns over the period to 1 April 2011.

These figures are based on the Regulations in force, or enacted by Parliament and due to come into force, at the time of signing the valuation report and, in particular, allowed for the following changes to the Fund benefits since the previous valuation:

- The Rule of 85 retirement provisions were reinstated, and subsequently removed again. Transitional protections for some categories of member were extended to widen their coverage.
- Changes were made consistent with the Finance Act 2004.
- A new scheme has been put in place which came into effect as at 1 April 2008. All existing members transferred to the new scheme as at that date.

4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

The rates of contributions payable by each participating Employer over the period 1 April 2008 to 31 March 2011 are set out in a certificate dated 28 March 2008 which is appended to our report of the same date on the actuarial valuation.

If the assumptions are borne out in practice, the rate of contribution for each employer would increase as at 1 April 2011 due to the cessation of the allowance for assumed additional short term investment returns. It would then continue at the resultant level for the balance of the recovery period used for that employer, before reverting to the relevant long term rate. In practice contribution rates will be reviewed at the next actuarial valuation which is due to be carried out as at 31 March 2010.

5. The contribution rates were calculated using the projected unit actuarial method and taking account of the Fund's funding strategy as described in the Funding Strategy Statement.

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

6. The main actuarial assumptions were as follows:

Discount rate for periods

- In service	
Admitted Bodies	6.2% a year
Scheduled Bodies	6.2% a year
- Left service	
Admitted Bodies:	5.2% a year
Scheduled Bodies:	6.2% a year

Short term investment returns until 1 April 2011

Equity/property assets	7.2% a year
Other investments	5.2% a year
Rate of general pay increases	4.7% a year
Rate of increases to pensions in payment	3.2% a year
Valuation of assets	market value

7. This statement has been prepared by the Actuary to the Fund, Hewitt Associates Limited (previously Hewitt Bacon & Woodrow Limited), for inclusion in the accounts of the City and County of Swansea. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2007. 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 valuation report which details fully the context and limitations of the actuarial valuation.

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

Hewitt Associates Limited

### **Certificate of the Actuary Regarding the Contributions Payable by the Employing Authorities in 2009/10**

In accordance with Regulation 77 of the Local Government Pension Scheme Regulations 1997, we certify that contributions should be paid by Employers at the following rates for the period 1 April 2008 to 31 March 2011. A common rate under Regulation 77 (3) (a) or Regulation 36 (4) (a) of the Administration Regulations of 20.2% of Pensionable Pay.

Individual adjustments under Regulation 77 (3) (b) which, when added or subtracted from the common rate, produce the following Employer contribution rates:

## CITY & COUNTY OF SWANSEA PENSION FUND

	Year commencing 1 April		
	2008	2009	2010
	% Pensionable Pay	% Pensionable Pay	% Pensionable Pay
City and County of Swansea	19.7	20.1	20.5
Neath Port Talbot County Borough Council	19.2	20	20.7
Britton Ferry Town Council	25.2	25.7	26.2
Coedffranc Community Council	25.2	25.7	26.2
Margam Joint Crematorium Committee	25.2	25.7	26.2
Neath Town Council	25.2	25.7	26.2
Swansea Bay Port Health Authority	25.2	25.7	26.2
Swansea Metropolitan University	20.6	20.6	20.6
Swansea College of Further Education	16.4	16.4	16.4
Gorseinon College of Further Education	18.6	18.6	18.6
Neath Port Talbot College of Further Education	20.2	20.2	20.2
Swansea City Waste Disposal Company	18.2 plus £30,400	18.2 plus £31,800	18.2 plus £33,300
Pontardawe Town Council	18.8	19.5	20.2
Swansea Bay Racial Equality Council	17	19	21.1
Cilybebyll Community Council	17.3	18	18.7
Babtie Group	14.6	14.6	14.6
Celtic Community Leisure	13.5	13.9	14.3
Wales National Pool	13.2	13.8	14.5
Pelenna Community Council	13.1	16	18.8
Capgemini	13.7	13.7	13.7
Phoenix Trust (Hill Development)	22.8	22.8	22.8
Colin Laver Heating Ltd	19.7	19.7	19.7

In addition, any extra liabilities falling on the Fund in respect of retirements under Regulation 26 31 or 35 of the 1997 Regulations or Regulation 18,19 or 30 of the Benefit Regulations should be financed by additional Employer contributions, calculated in a manner advised by the Actuary and payable over a period of 3 years.

In addition, any additional benefits granted under Regulation 52 of the 1997 Regulations or Regulation 12 or 13 of the benefit Regulations should be financed by additional Employer contributions, either under Regulation 80 of the 1997 Regulations or Regulation 40 of the Administration Regulations, or as calculated in a manner advised by the actuary

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

### **19. Material transactions with related parties in the year were :**

- £528,494, (£518,853 08/09) paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Legal Services during the year.
- Contributions received from admitted and scheduled bodies as detailed on page 91

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

#### **Nominated Cohabiting Partners**

The Communities and Local Government Department (CLG) issued statutory Instrument 2009 No. 3150 which introduced the facility for members of the LGPS, who have nominated a cohabiting partner, to pay additional contributions in order that service prior to 6th April 1988 is used in the calculation of a surviving nominated cohabiting partner's pension.

#### **Pensionable Pay**

The same Statutory Instrument also allows an employee to elect to base their benefits on an average of any three consecutive years pay (ending on 31st March) within the last thirteen years instead of the last ten years. It also extended this cover to members affected by a job evaluation exercise.

### **21. Investment Fund Management**

The investment of the Fund is the responsibility of the Investment Panel. The Panel as at 31st March 2010 comprised:

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

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

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

The investment managers are:

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

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

### **22. Other Fund Documents**

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

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

Are available on request from the Chief Treasury & Technical Officer, Civic Centre, Oystermouth Road, Swansea, SA1 3SN.

### **23. Additional Voluntary Contributions**

Some members of the Fund paid 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 Scottish Equitable. The pension fund accounts do not include the assets held by The Prudential, Equitable Life or Scottish Equitable, which were valued at £650,001 (£241,100 2008/09) in Prudential, £538,924 (£596,339 08/09) in Equitable Life and £2,072,489 (£1,835,561 08/09) in Scottish Equitable.

<i>AVC Provider</i>	<b>Value of Funds at 01/04/09</b>	<b>Contributions In/Out</b>	<b>Purchases at Cost</b>	<b>Sale Proceeds</b>	<b>Change in Market Value</b>	<b>Value of Funds at 31/03/10</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Prudential	241	430	433	-33	9	650
Scottish Equitable	1,836	220	233	-286	289	2,072
Equitable Life	596	4	4	-93	32	539
<b>Totals</b>	<b>2,673</b>	<b>654</b>	<b>670</b>	<b>-412</b>	<b>330</b>	<b>3,261</b>

## CITY & COUNTY OF SWANSEA PENSION FUND

### 24. SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES AS AT 31 MARCH 2010

Scheduled Bodies	Contributors	Pensioners	Deferred Benefits	% of Pensionable Pay
City & County of Swansea	7,693	3,491	3,195	20.1
Neath Port Talbot County Borough Council.	5,935	2,334	2,824	20.0
Briton Ferry Town Council	0	1	2	25.2
Cilybebyll Community Council	2	0	1	18.0
Clydach Community Council	0	1	1	-
Coedffranc Community Council	4	1	1	25.7
Gorseinon College	114	36	60	18.6
Lliw Valley BC	0	288	40	-
Margam Joint Cremation Committee	4	12	4	25.7
Neath Port Talbot College	291	94	114	20.2
Neath Port Talbot Waste Management Co. Ltd.	0	1	0	-
Neath Town Council	7	8	6	25.7
Pelenna Community Council	4	0	0	16.0
Pontardawe Town Council	5	0	0	19.5
Swansea Bay Port Health Authority	3	7	4	25.7
Swansea City Waste Disposal Company	13	14	3	18.2
			Plus £31,800	
Swansea College	262	79	268	16.4
Swansea Metropolitan University	218	82	122	20.6
West Glamorgan County Council	0	2,714	463	-
West Glamorgan Magistrates Courts	0	40	20	-
West Glamorgan Probation Service	0	67	9	-
West Glamorgan Valuation Panel	0	5	0	-
<b>Admitted Bodies</b>				
BABTIE	9	2	5	14.6
Celtic Community Leisure	116	18	63	13.9
Colin Laver Heating Limited	3	0	1	19.7
Swansea Bay Racial Equality Council	3	0	0	19.0
The Careers Business	0	3	12	-
Wales National Pool	35	3	24	13.8
West Wales Arts Association	0	1	1	-
Cap Gemini	16	0	2	13.7
Phoenix Trust	7	0	3	22.8
<b>Total</b>	<b>14,744</b>	<b>9,302</b>	<b>7,248</b>	

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

The Pension Fund covers our 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 2010 there were 14,744 contributors, 9,302 pensioners and 7,248 deferred pensioners.

<b>Membership statistics</b>	<b>31/03/2006</b>	<b>31/03/2007</b>	<b>31/03/2008</b>	<b>31/03/2009</b>	<b>31/03/2010</b>
Contributors	14,711	15,049	14,805	15,274	14,744
Pensioners	8,447	8,634	8,897	9,105	9,302
Deferred Pensioners	4,363	4,937	5,877	6,409	7,248
<b>Total</b>	<b>27,521</b>	<b>28,620</b>	<b>29,579</b>	<b>30,788</b>	<b>31,294</b>

**25.** Further details and the audited statement of accounts are contained in the City & County of Swansea Pension Fund Annual Report and Accounts for the year ended 31st March 2010, available from the Chief Treasury & Technical Officer, Civic Centre, Oystermouth Rd, Swansea SA1 3SN.

**26.** The accounts outlined within the statement represent the financial position of the City and County of Swansea's Pension Fund at 31 March 2010.



## **GROUP ACCOUNTS**

### **Introduction**

1. These accounts consolidate the City & County of Swansea's accounts with the accounts of companies in which the Council has an interest and are considered to be part of our group.
2. The 2009 SORP 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 & County of Swansea has been undertaken, which has determined that City & County of Swansea Group consists of the local authority as the parent, and the following companies:

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

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

#### **- Swansea City Waste Disposal Company Ltd. - Subsidiary**

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

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

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

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

The net liabilities of Swansea City Waste Disposal Company Ltd as at 31st March 2010 is £8.5m

#### **- Wales National Pool (Swansea) Limited – Joint Venture**

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

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

## GROUP ACCOUNTS

The City & County of Swansea was responsible for the construction of the pool complex, with the bulk of funding being supplied by the National Lottery Sports Foundation. The pool has been constructed on land owned by the University of Wales, Swansea. The pool complex is leased by the Council to the Company at a peppercorn lease. Due to the nature of the facility, which is unlikely to show profitability, the development is not thought to have a high commercial value.

The net assets of Wales National Pool (Swansea) Limited at 31st March 2010 is zero (2009 zero).

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

The National Waterfront Museum Swansea Ltd ("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 & County of Swansea, three by the National Museums and Galleries of Wales, with the seventh director being an independent chairman.

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

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

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

The net assets of National Waterfront Museum Swansea at 31st March 2010 is £26,057,860 (2009 £26,272,492).

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

In March 2005, the City & County of Swansea purchased shares to the value of £50,000 in Swansea Stadium Management Company Ltd., a company formed to operationally run the Liberty Stadium in Swansea. The stadium is a circa-18,000 seat stadium, and is the home to Swansea City AFC Ltd. and Ospreys Rugby Ltd.

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

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

## **GROUP ACCOUNTS**

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

Although the Council is able to share in any surplus the Company may make on trading operations, it is indemnified from contributing to any loss under a specific supplementary Joint Venture Agreement made with the remaining shareholders during 2006. On the basis that the Company has been loss making during 2008/09 and 2009/10 the company's results have not been consolidated into the Group Accounts.

### **- Bay Leisure Ltd – Associate**

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

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

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

The Council is obliged to consider funding requests from the Company on an annual basis and will commit each financial year to making payment in respect of an agreed management fee which is negotiated annually. No consolidation of the Company's results have been undertaken in 2009/10 due to the immateriality of the Company's results.

The net assets of Bay Leisure Limited at 31st March 2010 is £401,492 (2009 £36).

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

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

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

The net assets of Swansea Bay Futures Limited at 31st March 2010 is £18,147(2009 £12,799).

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

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

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

## **GROUP ACCOUNTS**

Following approval by the Council's cabinet at a meeting on 18th February 2010 officers have been instructed to proceed with the removal of the Company from the Register of Companies.

### **4. The core Group Accounts for 2009/2010 consists of:-**

- **The Group Income and Expenditure Account** which records the income and expenditure on the Group's activities
- **The Group Statement of Total Recognised Gains and Losses** which identifies any gains or losses for the period which have been recognised in the Group Income and Expenditure Account
- **The Group Balance Sheet** which sets out all the assets and liabilities of the Group and the reserves and liabilities that underlay those net assets
- **The Group Cash Flow Statement** which summarises the inflows and outflows of cash arising from transactions with parties external to the Group.

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

Notes have been provided to the Group Accounting Statements only where the disclosure for the Group differs from that required for the Local Authority due to the combination of the accounts of the various entities. Applicable Accounting Policies are outlined on pages 12 to 23.

### **6. Intra-group transactions and balances**

Where necessary, transactions between the various Group members have been eliminated from Group Income and Expenditure figures so as not to overstate these figures in the Group Income and Expenditure Account. Similarly, balances owed between the Group members have been eliminated to the extent that they exist as at 31st March 2010.

### **7. Effect of FRS 17 Pension Liabilities on Group Reserves.**

FRS 17 requires that entries are included in the Group balance sheet for the Group's share of assets and liabilities of the Local Authority Pension Scheme.

The requirement of FRS17 in relation to Local Authority Accounts allows the creation of a debit reserve (the Pension Reserve) which effectively offsets the liabilities that have been created by the calculated deficit in relation to the pension fund as at 31st March 2010.

## GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st March 2010

* Restated 2008/09 Net Expenditure £'000	Direct Services	Gross Expenditure £'000	2009/10 Gross Income £'000	Net Expenditure £'000
4,267	Central Services to the public	24,487	-20,891	3,596
58,501	Culture, Environmental and Planning Services	110,356	-45,611	64,745
186,716	Education & Childrens Services	255,254	-51,105	204,149
21,915	Highways, Roads & Transport	31,391	-13,754	17,637
-7,372	Housing Services (HRA)	53,177	-54,714	-1,537
3,825	Other Housing Services	89,582	-86,705	2,877
61,102	Adult Social Services	90,679	-25,525	65,154
14,767	Corporate and Democratic Core	12,566	-10,521	2,045
4,668	Non distributable costs	9,058	0	9,058
	<b>Share of the Operating Results of Joint Ventures:</b>			
	Wales National Pool (Swansea) Ltd (WNPS) –			
-430	Turnover	0	-482	-482
430	WNPS – Cost of Sales & Operating Expenses	482	0	482
	National Waterfront Museum (Swansea) Ltd			
0	(NWMS) – Turnover	0	0	0
123	NWMS - Cost of Sales & Operating Expenses	111	0	111
0	Share of Operating results of Bay Leisure	0	0	0
0	Share of Operating results of SSMC	0	0	0
<b>348,512</b>	<b>Net Cost of Services</b>	<b>677,143</b>	<b>-309,308</b>	<b>367,835</b>
	<b>Levies and Contributions</b>			
11,934	Precepts:- South Wales Police Authority	12,546	0	12,546
749	Precepts:- Local precepting Authorities	708	0	708
11,033	Levies and Contributions paid	11,668	0	11,668
1,982	Surplus/Deficits on trading activities	48,755	-48,840	-85
20,429	Interest Payable and Similar Charges	19,169	83	19,252
-6,677	Interest and Investment income	0	-2,622	-2,622
-1	Share of Interest Receivable (NWMS)	0	0	0
	Pensions Interest cost and expected return on			
19,050	pension assets	31,040	0	31,040
0	Interest and Investment income	0	-4,706	-4,706
<b>407,011</b>	<b>Net Operating Expenditure</b>	<b>801,029</b>	<b>-365,393</b>	<b>435,636</b>
	Taxation			-12
-224,817	Revenue Support Grant			-231,359
-89,142	Income from the Council Tax			-92,556
-60,783	Distribution from Non-Domestic Rate Pool			-62,571
<b>32,269</b>	<b>Deficit for the year</b>			<b>49,138</b>

\* Note 11 outlines the reason and effect of the restatement.

## **RECONCILIATION OF THE SINGLE ENTITY DEFICIT TO THE GROUP DEFICIT**

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
-32,130	Deficit for the year on the Council Income and Expenditure Account	-48,539
0	Adjustments for transactions with other group entities (dividend income, etc)	0
-32,130	Deficit in the Group Income and Expenditure Account attributable to the Council	-48,539
-17	Deficit in the Group Income and Expenditure Account attributable to group entities – Swansea City Waste Disposal Company Limited	-488
-122	Share of Operating results in NWMS	-111
<b>-32,269</b>	<b>Deficit (-) for the year on the Group Income and Expenditure Account</b>	<b>-49,138</b>

## **GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

<u>2008/09</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>
-32,269 Deficit for the year on the Income and Expenditure Account	-49,138
25,896 Surplus arising on the revaluation of fixed assets	39,501
-129,250 Actuarial (loss) on pension fund assets and liabilities	-123,120
<u>-135,623</u> Total recognised losses for the year	<u>-132,757</u>

The cumulative amount of actuarial losses recognised in the STRGL is £185.89m

## GROUP BALANCE SHEET

* Restated				31/03/2010	
31/03/2009				£'000	£'000
£'000	£'000				
		<b>Fixed Assets</b>			
		<b>0 Intangible Assets</b>			1,904
		<b>Tangible Fixed Assets</b>			
		- <b>Operational assets</b>			
		- council dwellings		90,653	
		- other land and buildings		579,939	
		- plant/vehicles etc.		15,061	
		- infrastructure assets		216,165	
		- community assets		13,447	
82,732					
561,088					
16,751					
218,448					
13,875					
		<b>892,894</b>			<b>915,265</b>
		<i>Non operational assets</i>			
		20,503 Assets under construction			8,611
		11,062 Surplus Assets for Disposal			13,674
		98,278 Investment properties			97,713
		<b>1,022,737 Total Fixed Assets</b>			<b>1,037,167</b>
		11,897 Long term investments			8,994
		<b>1,034,908</b>			<b>1,046,464</b>
		5,474 Share in Gross Assets of JV (WNPS)			5,079
		-5,474 Share in Gross Liabilities of JV (WNPS)			-5,079
		0 Share in Net Assets of Associate (SSMC)			
		0 Share in Net Assets of Associate (Bay Leisure)			
		13,163 Share in Gross Assets of JV (NWMS)			13,056
		-27 Share in Gross Liabilities of JV (NWMS)			-27
		<b>1,048,044 Total Long-Term Assets</b>			<b>1,059,493</b>
		<b>Current Assets</b>			
		- stocks and work in progress		1,810	
		- debtors		58,680	
		- temporary investments		98,569	
		- cash in hand of officials		2,228	161,287
1,879					
45,155					
99,849					
2,342	149,225				
		<b>1,197,269</b>			<b>1,220,780</b>
		<b>Current Liabilities</b>			
		- creditors		-59,182	
		- short term borrowing		-7,102	
		- bank overdrawn		-39,751	-106,035
-65,052					
-11,381					
-22,757	-99,190				
		<b>1,098,079 Total Assets Less Current Liabilities</b>			<b>1,114,745</b>
		<b>Long -Term Liabilities</b>			
		Long-term borrowing		-342,626	
		Provisions		-24,136	
		Government Grants Deferred		-178,028	
		Liability relating to defined pension scheme		-567,600	-1,112,390
-344,438					
-24,751					
-169,355					
-424,423	-962,967				
		<b>135,112 Total Assets Less Liabilities</b>			<b>2,355</b>

\* Note 8 and 9 to the Group Balance Sheet outline the reason and the effect of the restatement.



**GROUP BALANCE SHEET**

<b>31/03/2009</b>		<b>31/03/2010</b>
<b>£'000</b>		<b>£'000</b>
	<b>Financed by:</b>	
388,226	Capital Adjustment Account	362,549
82,323	Revaluation Reserve	113,928
-1,051	Financial Instrument Adjustment Account	-1,012
-423,570	Pensions reserve	-566,100
11,326	Usable Capital receipts reserve	17,644
55,190	Earmarked reserves	49,937
10,566	Balances – Housing Revenue Account	11,303
12,102	Balances – General fund	14,106
<b><u>135,112</u></b>	<b>Total Balances and Reserves</b>	<b><u>2,355</u></b>

## **GROUP CASH FLOW STATEMENT**

<u>2008/09</u>	<u>2009/10</u>
<u>£'000</u>	<u>£'000</u>
34,904 <b><u>Net cashflow from revenue activities</u></b>	10,780
<b><u>Returns on Investment and servicing of finance</u></b>	
<b>Cash Outflow</b>	
-20,360 Interest paid	-19,229
<b>Cash Inflow</b>	
6,810 Interest received	2,482
<b><u>Capital Activities</u></b>	
<b>Cash Outflows</b>	
-57,705 Purchase of fixed assets	-49,996
-13,423 Other capital cash payments	-9,188
-6,268 Purchase of long term investments	0
<b>Cash Inflows</b>	
4,898 Sale of fixed assets	1,820
Sale of long term investments	2,903
34,036 Capital grants received	35,338
0 Other capital cash receipts	13,321
-17,108 <b>Net Cash In/Outflow before Financing</b>	-11,769
<b>Taxation</b>	-12
<b><u>Management of Liquid Resources</u></b>	
47299 Net increase/decrease in short term deposits	842
<b><u>Financing</u></b>	
<b>Cash Outflows</b>	
-30,016 Repayments of amounts borrowed	-10,078
<b>Cash Inflows</b>	
3,295 New loans raised	3,199
640 New short term loans	710
4,110 <b>Net Increase/(Decrease) in Cash (Note 2)</b>	-17,108

## **NOTES TO THE GROUP FINANCIAL STATEMENTS**

### **1. Intra-Group Transactions**

The following intra-group transactions have been eliminated on preparation of the Group Income & Expenditure Account:

<b>2008/2009</b>		<b>2009/2010</b>
<b>£'000</b>		<b>£'000</b>
8,515	Sales to City & County of Swansea	9,623
3	Landfill Tax charged on sales	3
-632	Purchases from City & County of Swansea	-691
-76	Rent, Rates & Royalties	-98
1,829	Debtors	1,247
-80	Creditors	-87

### **2. Continuing Group Activities**

In accordance with FRS 3 "Reporting Financial Performance", all Group activities were classified as 'Continuing' during the year. There were no material acquisitions or discontinuations of services as defined by the Standard.

### **3. Pension Costs**

In addition to the City & County of Swansea, the Swansea City Waste Disposal Company Ltd. contributes to the CCS Pension Fund, at a common rate applicable to a group of employers which is set having regard to the assets and liabilities of the group as a whole.

The Swansea City Waste Disposal Company Ltd. contributions to the scheme for the year ended 31st March 2010 amounted to £77k (2009: £75k).

Further analysis can be found in the Notes to the City & County of Swansea Pension Fund (pages 90 to 104).

### **4. Tax on Profit on Ordinary Activities**

The Group's total tax liability on profits generated arises out of the activities of the subsidiary, Swansea City Waste Disposal Company Ltd.

There was no tax chargeable for **2008/09** or **2009/10**.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 5. Analysis of Net Assets Employed

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

<b>31st March</b>		<b>31st March</b>
<b>2009</b>		<b>2010</b>
<b>£'000</b>		<b>£'000</b>
553,244	City & County of Swansea (Parent)	564,013
-6,845	Swansea City Waste Disposal Company Ltd. (Subsidiary)	-7,087
13,136	National Waterfront Museum Swansea (Joint Venture)	13,029
0	Wales National Pool Swansea (Joint Venture)	0
<b>559,535</b>	<b>Net Assets Employed (exc. Pension Fund)</b>	<b>569,955</b>
-424,423	Net Group Pension Fund Liabilities	-567,600
<b>135,112</b>	<b>Net Assets Employed</b>	<b>2,355</b>

### 6. Construction of the Group Accounts

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

Swansea City Waste Disposal Co Ltd - Management Accounts for the year ending 31st March 2010  
National Waterfront Museum (Swansea) Ltd - Draft Annual Accounts for the year ending 31st March 2010

Wales National Pool (Swansea) Ltd - Annual report 31st July 2009 (audited)

In the opinion of the Council 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 2010 and the use of current information would not be significant in relation to the group position as stated.

### 7. Access to benefits and exposure to risk of potential losses in respect of the Associated Companies

The City & 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 Council will be limited to the value of the guarantee in each entity.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 8. Debtors

<b>Restated</b> <b>31st March</b> <b>2009</b> <b>£'000</b>	<b>31st March</b> <b>2010</b> <b>£'000</b>
1,600 Housing rents	1,510
8,003 Council tax	8,755
15,864 Government departments	18,572
5,796 Other public bodies	6,683
<u>22,393 Sundry debtors</u>	<u>32,205</u>
53,656	67,725
<u>-8,501 Less provision for doubtful debts</u>	<u>-9,045</u>
<u><u>45,155</u></u>	<u><u>58,680</u></u>

The Debtors for 2008/09 have been restated due to a new requirement in respect of National Non Domestic Rates (NNDR) in SORP 2009. All sums previously included as debtors, prepayments and provision for bad debts within the Balance Sheet in respect of National Non Domestic ratepayers have been consolidated into a single overall balance due to/from the Welsh Assembly Government. This reflects the fact that the Council effectively acts as an agent for the Assembly in collecting sums due and any amounts owing or prepaid relate to the contractual relationship between the Assembly and the taxpayer. This has reduced the prior year debtor by £1,282k.

### 9. Creditors

<b>Restated</b> <b>31st March</b> <b>2009</b> <b>£'000</b>	<b>31st March</b> <b>2010</b> <b>£'000</b>
5,524 Government departments	8,123
1,521 Other public bodies	1,716
<u>58,007 Sundry creditors</u>	<u>49,343</u>
<u>65,052</u>	<u>59,182</u>

The Creditors for 2008/09 have been restated due to a new requirement in respect of National Non Domestic Rates (NNDR) in SORP 2009. The creditors for 2008/09 has been reduced by £1,282k. The NNDR receipt in advance of £1,282k has been amalgamated within the Welsh Assembly Government debtor for 2008/09.

### 10. Provisions and Reserves

**Provisions** are amounts set aside to meet specific liabilities, the amount or timing of which cannot be accurately determined.

**Reserves** are amounts held for more general purposes, although some reserves are earmarked for particular activities.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### Provisions

<u>Class of Provision</u>	<u>Nature of liability</u>	<u>Estimated date of settlement</u>	<u>Balance 01/04/09</u> <u>£'000</u>	<u>Utilised during the year</u> <u>£'000</u>	<u>Created during the year</u> <u>£'000</u>	<u>Balance 31/03/10</u> <u>£'000</u>
<b>Insurances</b>	Sums relating to the estimated cost of current claims and the Council's excess value on policies	As claims settled	10,788	-7,204	6,163	9,747
<b>Land acquisition</b>	Estimated sums due to settle purchase costs of lands acquired under compulsory purchase orders (including interest)	As values are agreed	897	-106	0	791
<b>Other *</b>	Miscellaneous provisions covering committed contracts which are onerous and other estimated liabilities	20010/11	13,066	-409	941	13,598
<b>Total</b>			<b>24,751</b>	<b>-7,719</b>	<b>7,104</b>	<b>24,136</b>

### Reserves

These are balances which are held in order to fund future revenue and capital activities which are uncommitted at the balance sheet date. Earmarked reserves have been set aside to fund specific activities, whilst general balances are available to support the general financing of the Group's activities.

**Details of the Group's reserves as at 31st March 2010 are as follows:-**

<u>Earmarked revenue reserves</u>	<u>Balance 01/04/2009</u> <u>£'000</u>	<u>Movement For the Year</u> <u>£'000</u>	<u>Balance 31/03/2010</u> <u>£'000</u>
<b>Schools delegated reserves</b> These are created by the carry forward of underspends on the delegated budgets for each individual school and are available to fund expenditure within individual schools in future years.	5,133	-1,264	3,869
<b>Capital financing charges reserve</b> Reserves to meet unforeseen adverse movements in interest rates and to meet future costs associated with active management of the debt portfolio.	4,208	-2,500	1,708

## NOTES TO THE GROUP FINANCIAL STATEMENTS

	Balance 01/04/2009	Movement For the Year	Balance 31/03/2010
<b>Other equalisation reserves</b> To even out year on year variations on major income and expenditure items.	812	0	812
<b>Information technology reserves</b> Specific reserves set aside for replacement software and hardware and the implementation of corporate IT strategies	1,371	94	1,465
<b>E- Government</b> Amount set aside to fund ongoing work on resource system implementation	132	0	132
<b>Contingency reserve</b> A reserve set aside to provide funding for the corporate financial risks identified in the Council's forward financial plan	11,325	-3,320	8,005
<b>Development reserves</b> Sums set aside for industrial/commercial development projects, to fund profit share agreements on land reclamation and commuted sums	2,578	-591	1,987
<b>Insurance reserves</b> To provide for unforeseen expenditure	8,417	1,528	9,945
<b>Other earmarked revenue reserves</b>	16,848	3,669	20,517
<b>Revenue reserve earmarked to fund future capital expenditure</b>	4,366	-2,869	1,497
<b>Total earmarked revenue reserves</b>	<b>55,190</b>	<b>-5,253</b>	<b>49,937</b>
<b><u>Housing revenue account balances</u></b>	10,566	737	11,303
<b>Total earmarked reserves</b>	<b>65,756</b>	<b>-4,516</b>	<b>61,240</b>
General balances	12,102	2,004	14,106
<b><u>Total reserves</u></b>	<b>77,858</b>	<b>-2,512</b>	<b>75,346</b>

## NOTES TO THE GROUP FINANCIAL STATEMENTS

\* Other provisions include £8.753m with respect to the Swansea City Waste Disposal Company Ltd.

The provision for the expected costs for restoring and maintaining the company's landfill site after the end of its useful life in the company's business relates to the expected costs that the directors consider would discharge the company's obligation for the restoring and maintenance of the landfill site relating to the company's usage of the site. The maintenance period taken into account is 60 years after the landfill site has reached the end of its useful life in the company's business. This was increased during earlier periods from 30 years following additional guidance provided by the Environment Agency. In accordance with this guidance, no account is taken of the inflation rate at the time this provision is calculated and the provision has not been discounted to net present values as there is no consistent and proven real rate of return on the funds. The provision for such costs has been based on the directors' best estimate of costs which will be borne by the company. The expected costs are subject to periodic review.

Provision is made to the extent that the directors consider that it is probable that a transfer of economic benefits from the entity (Swansea City Waste Disposal Company Limited) will be required to settle the obligation.

At 31 March 2010 the provision amounted to £8,753,000 (2009: £8,753,00), however the amount may be subject to significant variation as the extent to which the site can be utilised is determined eventually. The eventual closure and restoration costs of the landfill site will need to be assessed once the future development plans for the site are finalised. The costs to be incurred may need to be revised significantly at that time.

### 11. Restatement of prior year comparatives.

	2008/09	Change	Restated 2008/09
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Precepts - South Wales Police Authority	0	11,934	11,934
Income from Council Tax	-77,208	-11,934	-89,142

The 2009 Code of Practice on Local Authority Accounting clarified that the Police Authority are major preceptors and consequently the Council Tax income should be shown as gross income in the Statement of Accounts with Precepts paid to major preceptors being represented as expenditure. The 2008/09 Income and Expenditure account has been restated to include the £11.934m precept issued by South Wales Police as expenditure and additional income of £11.934m within Income from Council Tax.



## NOTES TO THE GROUP CASH FLOW STATEMENT

### Note 1 - Reconciliation of the movement in cash to the movement in net debt

	Balance 01/04/2009 £'000	Cash Flow £'000	Non cash £'000	Balance 31/03/2010 £'000
Temporary Investments	99,411	-842	0	98,569
Financing:-				
Maturing within one year	-11,381	4,243	36	-7,102
Long term	-344,438	1,812	0	-342,626
Cash	2,342	-114		2,228
Bank overdrawn	-22,757	-16,994		-39,751
	<u>-276,823</u>	<u>-11,895</u>	<u>36</u>	<u>-288,682</u>

### Note 2 - Movement in cash & cash equivalents


	Balance 01/04/2009 £'000	Cash Flow £'000	Balance 31/03/2010 £'000
Cash	2,342	-114	2,228
Bank overdrawn	-22,757	-16,994	-39,751
	<u>-20,415</u>	<u>-17,108</u>	<u>-37,523</u>

### Note 3 - Reconciliation of deficit to net cash flow

	<u>31/03/2009</u>	<u>31/03/2010</u>
<b>Deficit for the year</b>	-32,130	-49,138
<b>Non cash transactions</b>	50,382	75,075
<b>Items on an accrual basis</b>		
Add: Decrease in stock	467	70
Add: Decrease in revenue debtors	6,119	-3,803
Add: Increase in revenue creditors	-3,561	-11,424
<b>Net cash flow from revenue activities</b>	<u><u>21,277</u></u>	<u><u>10,780</u></u>

## **EXECUTIVE DIRECTOR'S CERTIFICATE & STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

I hereby certify that the statement of accounts on pages 4 to 84 and pages 104 to 136 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 2010.

  
24.9.10

### **The Authority's Responsibilities**

The Authority is required to:

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

### **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2010.

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

### **Date of Authorisation for Issue**

The 2009/10 Statement of Accounts was authorised for issue on 28<sup>th</sup> September 2010 by Jack Straw, Executive Director 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.

### **Approval by Council**

The Statement of Accounts was approved by Council at its meeting on 23rd September 2010.

Signed



24/9/10

Date

Presiding Officer

# **ANNUAL GOVERNANCE STATEMENT**

## **1. Scope of Responsibility**

- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.
- 1.3 The City and County of Swansea has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Code is on our website at [Code of Corporate Governance - City and County of Swansea](#). This statement explains how the Authority has complied with the Code.

## **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 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 and to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the City and County of Swansea for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

## **3. The Governance Framework**

- 3.1 The CIPFA/SOLACE governance framework identifies the following 6 fundamental principles of corporate governance:-
- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

## ***ANNUAL GOVERNANCE STATEMENT***

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
  - Developing the capacity and capability of members and officers to be effective
  - Engaging with local people and other stakeholders to ensure robust public accountability
- 3.2 Council approved its Code of Corporate Governance on 19<sup>th</sup> June 2008 based on the 6 principles outlined above.
- 3.3 The key elements of the policies, systems and procedures that comprise the governance framework in the Council are:-
- The Corporate Improvement Plan 2009 -12 which summarises the mission, vision, improvement objectives and values of the Council and communicates these improvement objectives to stakeholders. Changes resulting from the introduction of the new Local Government (Wales) Measure have been taken on board for the production of the Plan from 2010.
  - The Community Strategy 2010 - 2014 which sets out the long term vision for the area and how it is to be achieved as well as the short term priorities and how they are being tackled. The Strategy is overseen by the Better Swansea Partnership.
  - A Council Constitution which sets out the framework and rules governing the Council's business described in 16 Articles. The Constitution also includes a Scheme of Delegation and a number of Rules of Procedure, Codes and Protocols as well as the Members' Allowance Scheme.
  - A Constitution Working Group exists to review all aspects of the Council Constitution and to make appropriate recommendations for change.
  - There were 4 Overview Boards, 4 Scrutiny Boards and a joint Overview and Scrutiny Board for Child and Family Services in 2009/10 which existed to improve the performance of services, to provide an effective challenge to the Executive and to engage non-executive members in the development of policies, strategies and plans. An Overview and Scrutiny Annual Report is presented to Council each year.
  - Council, at its meeting on 08/04/10, agreed to create an Overview and Scrutiny Business Committee and a Partnership Overview and Scrutiny Committee.
  - At the same meeting Council also agreed to introduce 5 Overview and Scrutiny Boards for the following areas Child and Family Services; Children, Young People and Learning; Environment and Communities; Performance and Finance; Health, Social Care and Well Being.
  - A Challenge Panel consisting of 12 members considers any Cabinet decisions which have been 'called in' if the Presiding Officer accepts that it is valid. The criteria used by the Presiding Officer to decide on validity are tightly set and the Presiding Officer receives appropriate advice from officers. The Panel considers whether the decision is a well founded and appropriate decision of Cabinet.
  - Separate Codes of Conduct exist for Members and Officers which describe the high standard of conduct expected of them. There is also a Member/Officer Protocol which guides the relationship between them to ensure the smooth running of the Council.
  - The Standards Committee made up of 4 councillors and 5 independent members assists Councillors to observe their Code of Conduct, monitors the operation of the Code and deals with breaches of the Code of Conduct referred to them by the Ombudsman.

## **ANNUAL GOVERNANCE STATEMENT**

- An Annual Business Conference is held with Cabinet and Corporate Management Team to agree the Forward Looking Plan, identify the Corporate Risks, agree the priorities in the Medium Term Financial Plan and set the Strategic Programme.
- The Anti Fraud and Corruption Strategy applies to all councillors and employees. It outlines the Council's commitment to preventing, discouraging, detecting and investigating fraud and corruption whether attempted on the Council or from within the Council.
- A Corporate Complaints Policy exists which governs the investigation of complaints from members of the public which can include complaints about service provision. A Corporate Complaints Annual Report is presented to Cabinet each year.
- A Whistle Blowing Policy exists which encourages and enables employees to raise serious concerns without fear of harassment or victimisation.
- A Code of Corporate Governance based on the CIPFA/SOLACE governance framework has been adopted by the Council.
- A Corporate Risk Policy is in place which describes how risk management is implemented in the Council to support the realisation of strategic objectives. A Risk Management Strategy also exists which aims to help managers and members at all levels to apply risk management principles consistently across their areas of responsibility.
- The Executive Director has been designated the Council's S151 Officer and is responsible for the proper administration of the Council's financial affairs and ensuring the lawfulness and financial prudence of transactions.
- The Internal Audit Section provides an independent and objective opinion to the Council on the control environment which comprises risk management, internal control and governance by evaluating its effectiveness in achieving the Council's objectives. The Internal Audit Section also has responsibility to investigate allegations of fraud and financial irregularities.
- The Finance, Audit and Business Improvement Scrutiny Board carried out the role of the Council's audit committee during 2009/10. The Chief Auditor reported on a quarterly basis on progress and presented the Internal Audit Annual Report to the Board. Any relevant external audit reports were also presented to the Board.
- Council, at its meeting held on 08/04/10, agreed to create an Audit Committee to take on the specific audit role previously undertaken by the Finance, Audit and Business Improvement Scrutiny Board.
- The Head of Legal and Democratic Services has been designated as the Council's Monitoring Officer and is responsible for investigating and reporting on any allegations of contraventions to any laws, policies, procedures, regulations or maladministration and breaches of the Council's Constitution.
- All reports to Council and Cabinet must include paragraphs detailing the financial and legal implications of the report.
- The Council Constitution includes the Financial Procedure Rules which govern the financial management of the Council.
- The Council Constitution includes the Contract Procedure Rules which along with the Procurement Guide govern the purchasing of goods and services and the letting of contracts.
- A Medium Term Financial Plan is approved by Council each year which provides for a balanced budget in the following year and a projection for the next 3 years based on a combination of detail, where known, and forecasts based on best available evidence.

## **ANNUAL GOVERNANCE STATEMENT**

- The Council's programme management regime aims to ensure that partnerships are underpinned by an agreed vision, shared commitment and openness to deliver outcomes and benefits.
- The Swansea Voices Citizens Panel provides a means for consulting on service provision and other matters. There is also a ward representative role for each member.
- The Swansea Leader is published every 2 months and delivered to every household in the area informing local people about the Council's work and the progress it is making.
- The Council is subject to statutory external inspections by various bodies including PwC as external auditors, WAO, ESTYN and CSSIW.
- There is a performance management regime which includes an annual appraisal with a half yearly review for all employees.
- The Programme/Project Management regime aims to ensure that developments have a sound business case based on good quality information and risks are managed through clear decision making frameworks including specific roles and responsibilities for key personnel.
- Each Corporate Director holds monthly Performance and Financial Monitoring (PFM) meetings where Heads of Service report on progress in terms of continuous improvement and budgets. From 01/04/10 new terms of reference for PFM meetings have been issued by the Executive Director
- Performance reports are produced on a quarterly basis and monitored and challenged by Overview and Scrutiny.
- Use is made of the Council website to publish information for stakeholders including agendas and minutes of all Council, Cabinet, Committee, Overview and Scrutiny Board meetings.
- Induction courses are held for all new councillors and employees

3.4 The Council's Statement of Accounts includes Group Accounts which incorporates the following companies. The Annual General Meeting of the Council appoints councillors to sit on the Boards of the companies. The number of councillors appointed is shown against each company.

- Swansea City Waste Disposal Co. Ltd (1 councillor)
- Wales National Pool Swansea Ltd (3 councillors)
- National Waterfront Museum Swansea Ltd (2 councillors)
- Swansea Stadium Management Co. Ltd (2 councillors)
- Bay Leisure Ltd (2 councillors)

3.5 A number of methods are in place to monitor the activities and performance of the companies including member/officer steering groups, strategic and operational meetings and management groups.

#### **4. Review of Effectiveness**

4.1 The City and County of Swansea has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Auditor's annual report, and also by comments made by the external auditor and other review agencies and inspectorates.

## **ANNUAL GOVERNANCE STATEMENT**

### 4.2 The processes for maintaining and reviewing the effectiveness of the governance framework within the Council include the following:-

- The Council is made up of 72 councillors who are democratically accountable to residents and have an overriding duty to the whole community. Council decides overall policies and set the annual budget as well as receiving reports from Overview and Scrutiny Boards, Cabinet Members and Officers. Council also provides a forum for public questions.
- The Corporate Improvement Plan 2009-12 was approved by Council on 15/10/09. The Plan was subject to audit with the Appointed Auditor commenting that the Plan meets statutory requirements and provides a balanced view of its performance in 2008/09.
- In line with the Local Government (Wales) Measure, Cabinet approved the Corporate Improvement Plan 2010/11 on 22/04/10.
- The Council meeting held on 25/02/10 approved the Community Strategy 2010-2014.
- Council received and approved a number of reports during 2009/10 which amended the Council Constitution based on the work of the Constitution Working Group.
- The Cabinet (as Executive) is responsible most day to day decisions and acts in line with the Council's overall policies and budget.
- Each Director held monthly Financial and Performance Monitoring (PFM) meetings where Heads of Service reported on progress in terms of continuous improvement and budgets.
- Each Director attended a monthly Strategic Programme Board meeting which directly governed the most strategic initiatives being undertaken by the Council.
- Quarterly reports were made to Cabinet and to Overview and Scrutiny Boards on financial and performance monitoring.
- The Standards Committee met on 7 occasions during 2009/10 and the Annual Report of the Standards Committee 2008/09 was reported to Council on 30/07/09.
- The Overview and Scrutiny Boards met regularly during the year and have been supported by the Overview and Scrutiny Support Unit. The Overview and Scrutiny Annual Report 2008/09 describing the work undertaken by the various Boards was reported to Council on 22/10/09.
- The Finance, Audit and Business Improvement Scrutiny Board acted as the Council's audit committee during 2009/10. It received the Internal Audit Annual Report 2008/09 as well as quarterly Internal Audit monitoring reports for 2009/10. The PwC Interim Audit Report 2008/09 was also reported to the Board.
- For 2010/11, Council has created an Audit Committee to take on the specific audit role previously undertaken by the Finance, Audit and Business Improvement Scrutiny Board.
- The Internal Audit Annual Report 2008/09 which was reported to the Finance, Audit and Business Improvement Scrutiny Board on 23/09/09 included the Chief Auditor's view that based on the audit reviews undertaken in 2008/09, Internal Audit can give reasonable assurance that the systems of internal control were operating adequately and effectively and that no significant weaknesses were identified in 2008/09.
- The PwC Interim Audit Report 2008/09 which was also presented to the Finance, Audit and Business Improvement Scrutiny Board on 23/09/09 stated that *'they were pleased to report that a number of significant weaknesses identified in the 2007/08 Interim Report had been addressed and implemented successfully. The commitment of management and the action plans developed in response to the report in 2007/08*

## **ANNUAL GOVERNANCE STATEMENT**

*has led to our conclusion that progress has been made in addressing the system issues raised.* However it was also reported that a number of weaknesses continue to exist in sundry debtors/revenues and receivables and in purchase ledger/purchasing and payables.

- PwC also presented their Audit of Accounting Statements – Report to Those Charged with Governance to Cabinet on 24/09/09. The report raised some recommendations regarding the qualitative aspects of the Council's accounting practices and financial reporting. The report also stated that it was PwC's intention to recommend that the Appointed Auditor issues an unqualified Auditor's Report on the 2008/09 accounting statements.
- The Relationship Manager's Annual Letter 2008/09 which has been considered by Corporate Management Team, Cabinet and Council included the following comments. *'The Appointed Auditor has completed the audit of accounts and issued an unqualified audit opinion on the accounting statements, including the pension fund. The Appointed Auditor has concluded that the Council has appropriate arrangements to administer and report financial matters and to secure value for money in its use of resources in 2008/09, but there are some weaknesses in internal control and opportunities for improvement. The Relationship Manager has concluded that reviews indicate a mixed picture of both very good performance and areas for concern in major service areas.'*
- In particular the Relationship Manager highlighted the following:-
  - The ESTYN inspection in June 2009 of Education Services which were considered to be good with some outstanding features and good prospects for improvement.
  - The ESTYN inspection in January 2009 of Youth Support Services which were considered to work well to meet the needs of young people but had shortcomings in leadership and management.
  - The CSSIW inspection of Child and Family Services which reported in March 2009 and led to the establishment of an Intervention Board to provide robust external challenge.
- A further CSSIW Inspection took place in January 2010 which found that whilst 'sound and effective momentum for change' is now in place 'there remain further challenges to deliver and sustain improvement'. The Intervention Board remains in force concentrating on the essential further improvements identified in the inspection report.
- The Corporate Complaints Policy was in place throughout 2009/10 with the Complaints Annual Report 2008/09 being presented to Cabinet on 28/01/10.
- The Corporate Risk Management Framework has been reviewed during 2009/10 and both the Strategy and Policy amended accordingly. Specific roles and responsibilities for key stakeholders have been identified. A Strategic Risk Group has been established with its primary role being to manage the Corporate Risk Register on behalf of Corporate Management Team. It will also ensure that Directorate Risk Registers are reviewed quarterly by Departmental Management Teams and/or PFM meetings. Corporate and Directorate Risk Registers are now managed and updated via a new database.
- All reports presented to Cabinet and Council during 2009/10 have been reviewed by the Finance and Legal staff and include the appropriate paragraphs detailing the financial and legal implications of the report.



## **ANNUAL GOVERNANCE STATEMENT**

- 4.3 The Annual General Meeting of the Council held on 11/05/09 appointed the required number of councillors to sit on the Boards of the companies included in the Council's Group Accounts.
- 4.4 Various meetings took place during 2009/10 to monitor the performance of the companies and to ensure good governance over their activities.
- 4.5 We have been advised on the implications of the result of the review of the effectiveness of the governance framework and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **5 Significant Governance Issues**


- 5.1 The following table identifies issues which have been raised during the review of effectiveness and the proposed action to be taken in 2010/11 to address the issues

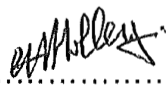
<b>Issue</b>	<b>Proposed Action</b>
Implementation of Audit Recommendations	Further develop the Recommendations Tracker introduced for fundamental audits in 2009/10 and introduce new process to follow up the implementation of recommendations for other audits.
Compliance Agenda	Presentations at Top Managers and Senior Managers meetings. Periodic reminders to staff and reports to PFM meetings.
Review of Senior Management	Ensure governance arrangements are maintained during the process of management re-structuring.
Risk Management	The Corporate Risk Management Framework needs to be signed off by Corporate Management Team. Directorate Risk Registers to be reviewed quarterly at Departmental Management teams and/or PFM meetings. Corporate Risk Register to be agreed by Corporate Management Team.
Assurance Framework	Develop a system of obtaining annual assurance from Corporate Directors and Heads of Service that the governance framework has operated in their area of responsibility in the last year.



## ANNUAL GOVERNANCE STATEMENT

- 5.2 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 needs for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next review.

Signed  ..... Chief Executive  
Date 2/6/10 .....  
Date .....  
Date .....

Signed  ..... Leader  
Date 09.06.10 .....  
Date .....  
Date .....



# AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

## Independent auditor's 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 2010 under the Public Audit (Wales) Act 2004. The City and County of Swansea's accounting statements comprise the Income and Expenditure Account, Statement of Movement on General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. The City and County of Swansea's Group accounting statements comprise Group Income and Expenditure Account, Reconciliation of the Single Entity Income and Expenditure Account Surplus or Deficit to the Group Income and Expenditure Account Surplus or Deficit, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet and 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 accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the City and County of Swansea in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in the *Statement of Responsibilities* prepared by the Auditor General for Wales.

### Respective responsibilities of the responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the statement of accounts, including the group and the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009:

- the financial position of the local government body and its income and expenditure for the year;
- the financial position of the local government body's group and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

I review whether the Governance Statement reflects compliance with "Delivering Good Governance in Local Government: Framework" published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Governance Statement covers all risks and

## **AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA**

controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the local government body in the preparation of the accounting statements and of whether the accounting policies are appropriate to the local government body's, group's and pension fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

### **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, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the City and County of Swansea as at 31 March 2010 and its income and expenditure for the year then ended.

### **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, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the City and County of Swansea Group as at 31 March 2010 and its income and expenditure for the year then ended.

### **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, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of the City and County of Swansea Pension Fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

## **AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA**

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

My conclusion on the City and County of Swansea's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010 will be reported separately in the published Annual Audit Letter.

### **Certificate of completion**

I have carried out the audit of the City and County of Swansea in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales. The audit cannot be formally completed and an audit certificate issued until investigations arising from questions and potential objections raised by two electors have been formally completed.



**Appointed Auditor  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ**

**Date** 29 September 2010

### ***Electronic publication of financial statements***

The maintenance and integrity of the City and County of Swansea web site is the responsibility of the local government body; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.

## **GLOSSARY OF TERMS**

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

### **Accrual**

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

### **Actuary**

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

### **Agency Services**

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

### **Amortised Cost**

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

### **Associate**

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

### **Audit**

An audit is an independent examination of our activities.

### **Balance Sheet**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital Expenditure**

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

### **Capital Receipts**

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

## **GLOSSARY OF TERMS**

### **Cashflow Statement**

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

### **Consolidated Balance Sheet**

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

### **Corporate and Democratic Costs**

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

### **Credit Risk**

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

### **Creditor**

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

### **Current Assets**

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

### **Current Liabilities**

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

### **Debtor**

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

### **Depreciation**

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

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

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

### **Earmarked Reserves**

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

### **European Social Fund**

The European Social Fund is a fund to provide grants for certain employment, training, retraining, resettlement and job creation schemes.

## **GLOSSARY OF TERMS**

### **Financial Year**

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

### **Finance Leases**

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

### **Fixed Asset**

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

### **Fixed Asset Restatement Account**

This represents the non-distributable increase/decrease in the valuation of fixed assets.

### **Gilt Edged Stocks**

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

### **Government Grants**

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

### **Housing Revenue Account**

This account contains all our housing income and spending.

### **Investments**

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

### **Joint Venture**

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

### **Leasing**

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

### **Liability**

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

### **Liquidity Risk**

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

### **Minimum revenue provision (MRP)**

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



## **GLOSSARY OF TERMS**

### **National Non-Domestic Rates (NNDR)**

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

### **Net realisable value**

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

### **Non Distributable Costs**

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

### **Operating leases**

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

### **Precepts**

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

### **Provision**

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

### **Public Works Loan Board (PWLB)**

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

### **Related party transactions**

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

### **Reserves**

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

### **Revaluation Reserve**

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

### **Revenue account**

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

### **Scheduled organisation**

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

## **GLOSSARY OF TERMS**

### **Securities**

These are investments such as stocks, share and bonds.

### **Stocks**

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

### **Subsidiary**

An entity is a subsidiary of the reporting authority if:

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

### **Temporary Borrowing or Investment**

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

### **Transfer value**

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

### **Trust Funds**

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

### **Unit Trusts**

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

### **Venture Capital Units**

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

### **Work in Progress**

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