

Statement of Accounts 2010/11



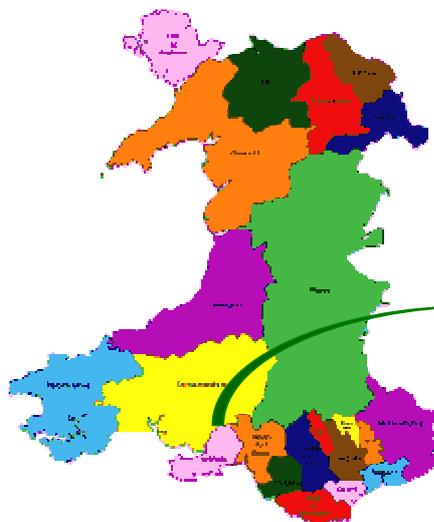
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INTRODUCTION



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
- 20,700 are aged 75 years and over



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

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

Copies of these accounts can be obtained from:

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

EXPLANATORY FOREWORD

- * The Movement in Reserves Statement which shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- * The Comprehensive Income and Expenditure Statement, which shows the income from, and spending on, Authority services for the year. It also shows how much money we get from the Welsh Government, business ratepayers and Council taxpayers together with the net deficit / surplus for the year.
- * The Balance Sheet, showing a snapshot of the Authority's financial position at the 31st March 2011.
- * The Cash Flow Statement, which shows transactions for the year on a cash basis rather than on an accruals basis.
- * The notes to the accounts, incorporating the main accounting policies which show the basis on which we have prepared the accounts and the principles the Authority has adopted. The notes also offer further analysis of items appearing in the main financial statements.
- * The Housing Revenue Account (HRA), which shows income from, and spending on, Council housing for the year. This account is stated separately as required by statute although the overall results are incorporated into the Authority's Comprehensive Income and Expenditure Statement.
- * The Pension Fund accounts, which show all contributions received and benefits paid for the year together with a snapshot of the financial position of the fund at the year end.
- * The Group Accounts, which show the consolidated accounts of the Authority and its group companies.
- * The Certificate and Statement of Responsibilities of the Head of Finance who is the responsible officer for the production of the statement.
- * The Annual Governance Statement, which gives an indication of the arrangements for and effectiveness of internal control procedures within the Authority.
- * The auditor's opinion and certificate relating to the Statement of Accounts.

EXPLANATORY FOREWORD

The Authority recognises the growing importance of Environmental and Sustainability reporting as a key measure of performance.

For the first time at the end of the Statement of Accounts, the Authority has published brief information around performance in these key areas.

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

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

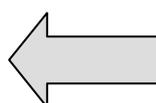
Capital expenditure covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing, capital grants and the sale of fixed assets. Amounts borrowed for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

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

EXPLANATORY FOREWORD

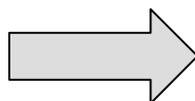
Revenue spending in 2010/2011

| | £'m | % |
|---|-------|-----|
| Revenue support grant | 236.5 | 33 |
| Non domestic rates | 65.4 | 9 |
| Council tax | 97.5 | 14 |
| Other income (rents, fees and charges, specific grants) | 316.7 | 44 |
| | 716.1 | 100 |



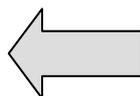
**Where our
money comes
from**

**What we spend it
on**



| | £'m | % |
|-------------------|-------|-----|
| Employees | 318.5 | 44 |
| Capital charges | 34.7 | 5 |
| Running costs | 333.4 | 47 |
| Precepts/Levies | 25.6 | 4 |
| Reserve transfers | 3.8 | 1 |
| | 716.1 | 100 |

| | £'m | % |
|---------------------------------|-------|-----|
| Education & Children's Services | 266.2 | 37 |
| Adult Social Services | 93.0 | 13 |
| Highways/transport | 35.7 | 5 |
| Culture, environment & planning | 115.3 | 16 |
| Housing | 152.5 | 21 |
| Precepts/levies | 25.6 | 4 |
| Reserve transfers | 3.8 | 1 |
| Other | 24.0 | 3 |
| | 716.1 | 100 |



**And the services
it provides**

EXPLANATORY FOREWORD

Authority services

The revenue outturn position of the Authority for 2010/2011 resulted in an increase in expenditure on services of £3.404m over the original budget set by the Authority as adjusted for carry forward and other items during the year. In addition, the revenue outturn position reflects a further £5.414m of expenditure that was met from the Authority's contingency fund. For the purposes of the Comprehensive Income and Expenditure Statement shown in these accounts the contingency fund expenditure has been properly allocated across services as required by the CIPFA Code on Local Authority Accounting.

The major area of overspend related to the provision of Children's Social Services (£8.951m) which has largely arisen through ongoing increases in the number (and hence cost) of looked after children and associated legal costs, together with increased expenditure relating to court directed contact sessions.

The overspend on Social Services was limited to £6.168m due to underspends on Adult and Mental Health/Learning disability services.

Underspends across other Authority services amounted to £2.764m.

Other budget variations

Other budget savings during the year arose from reductions in capital repayments and interest charges (£1.114m) and increased income from Council Tax (£551k).

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

Housing Revenue Account

The Housing Revenue Account of the Authority is a ring fenced account dealing exclusively with income and expenditure arising from the Authority's housing stock. The net position of the fund for 2010/11 resulted in a net increase in HRA reserves at year end of £0.233m (2009/10- £4.231m).

EXPLANATORY FOREWORD

The Authority maintains a number of provisions and reserves. Provisions are disclosed in Note 20 on pages 75 and 76. The information regarding reserves are disclosed in the Movement in Reserves Statement on pages 13 to 15 and Note 8 on page 53.

Provisions are amounts included in the accounts as liabilities where there has been a past event which is likely to result in a financial liability but where there is uncertainty over timing and the precise value of the liability that has been incurred. It is therefore the Authority's best estimate of the financial liability as at 31st March.

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

At the end of the year, the Authority's revenue reserve balances amounted to £71.577m (2009/10 £70.904m).

International Accounting Standard 19 Employee Benefits (IAS 19)

The Accounts comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Authority's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31st March 2011 and the reserve needed to fund that liability.

The pension fund liability that is disclosed within the Balance Sheet is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

The fund is subject to a 3 yearly actuarial valuation which assesses the then state of the pension fund and advises the various admitted bodies 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 2010/11 relates to the valuation undertaken on 1st April 2007. The valuation undertaken at 31 March 2010 will be reflected in revised employer contribution rates from 1st April 2011.

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 2010/11 Statement contains Group Accounts which show the consolidated position of the City & County of Swansea and its subsidiary/related companies.

EXPLANATORY FOREWORD

Changes in the form and content of the Statement

Authority Accounting in the United Kingdom 2010/11. For the first time the Code is based on International Financial Reporting Standards (rather than UK GAAP). The code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The transition to an IFRS based code has required considerable changes to both the form and content of the accounts compared to that of previous years.

The move to an IFRS-based Code from a UK GAAP-based SORP results in a number of significant changes in accounting practice. The key accounting changes include:

- Grants and contributions for capital purposes are recognised as income when conditions are met rather than being deferred and released to revenue to match depreciation.
- The main financial statements have changed, and there are additional requirements regarding segmental reporting.
- Property leases are classified and accounted for as separate leases of land and buildings.
- Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit on the Provision of Services through the Revaluation Reserve.
- Impairment losses are taken initially to the Revaluation Reserve to the extent that there is a balance on that reserve relating to the specific asset.
- The Code introduces a new classification of non-current assets held for sale.
- All employee benefits are accounted for as they are earned by the employee. This has required accruals for items such as holiday pay.
- The definition of associates is based on the ability to control rather than actual control, and may lead to a change in the group boundary.
- The consideration of component accounting on asset valuations although non have been adopted for 2010/11.
- Trading account income and expenditure figures within the Comprehensive Income and Expenditure are shown net of internal charges.

Where appropriate the comparative figures in respect of the previous years accounts (2009/10) have been restated into the format required under IFRS.

Full details of the accounting policies adopted under IFRS are given as part of this Statement.

EXPLANATORY FOREWORD

Financial outlook for the Authority.

On 28th February 2011 the Authority approved a medium term financial plan which highlighted potential revenue shortfalls rising from £6.1m in 2012/13 to £20.344m in 2014/15.

That report also contained a range of potential savings options including cumulative reductions in management, supervision and administrative employee costs of £7.5m together with the potential remodelling of service delivery across some areas of the Authority's activities.

The Authority faces a challenging agenda including the introduction of an equal pay compliant pay and grading structure, development of regional partnership arrangements in line with Welsh Government policy, and compliance with any legislative and other changes arising from the review of pension arrangements for all staff due in the Autumn of 2011.

Further information

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

MOVEMENT IN RESERVES STATEMENT

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

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

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

MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|---|-------------------------------|---|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|
| Balance at 1 April 2009 (Restated) | 6,664 | 55,190 | 10,566 | 11,326 | 9,612 | 93,358 | 149,350 | 242,708 |
| Movement in reserves during 2009/10 | | | | | | | | |
| Surplus or (deficit) on the provision of services | -29,121 | | -4,231 | | | -33,352 | | -33,352 |
| Other Comprehensive Income and Expenditure | | | | | | | -87,384 | -87,384 |
| Total Comprehensive Income and Expenditure | -29,121 | 0 | -4,231 | 0 | 0 | -33,352 | -87,384 | -120,736 |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | 26,813 | | 5,023 | -1,304 | 3,153 | 33,685 | -33,685 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | -2,308 | 0 | 792 | -1,304 | 3,153 | 333 | -121,069 | -120,736 |
| Transfers to/from Earmarked Reserves (Note 8) | 5,253 | -5,253 | | | | 0 | | 0 |
| Increase/Decrease in 2009/10 | 2,945 | -5,253 | 792 | -1,304 | 3,153 | 333 | -121,069 | -120,736 |
| Balance at 31 March 2010 carried forward | 9,609 | 49,937 | 11,358 | 10,022 | 12,765 | 93,691 | 28,281 | 121,972 |

MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|---|-------------------------------|---|-------------------------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|
| Balance at 31 March 2010 (Restated) brought forward | 9,609 | 49,937 | 11,358 | 10,022 | 12,765 | 93,691 | 28,281 | 121,972 |
| Movement in reserves during 2010/11 | | | | | | | | |
| Surplus or (deficit) on the provision of services | 87,530 | | 233 | | | 87,763 | | 87,763 |
| Other Comprehensive Income and Expenditure | 0 | | | | | | 95,541 | 95,541 |
| Total Comprehensive Income and Expenditure | 87,530 | 0 | 233 | 0 | 0 | 87,763 | 95,541 | 183,304 |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | -90,734 | 0 | 3,644 | 6,906 | 1,286 | -78,898 | 78,898 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | -3,204 | 0 | 3,877 | 6,906 | 1,286 | 8,865 | 174,439 | 183,304 |
| Transfers to/from Earmarked Reserves (Note 8) | -178 | 274 | -96 | | | | | 0 |
| Increase/Decrease in Year | -3,382 | 274 | 3,781 | 6,906 | 1,286 | 8,865 | 174,439 | 183,304 |
| Balance at 31 March 2011 carried forward | 6,227 | 50,211 | 15,139 | 16,928 | 14,051 | 102,556 | 202,720 | 305,276 |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

| Restated 2009/10 | | | | 2010/11 | | |
|--------------------------|---------------------|------------------------|--|--------------------------|---------------------|------------------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 24,641 | -20,872 | 3,769 | Central services to the public | 34,660 | -22,348 | 12,312 |
| 101,695 | -35,966 | 65,729 | Cultural, environmental, regulatory and planning | 115,341 | -46,620 | 68,721 |
| 255,773 | -49,176 | 206,597 | Education and children's services | 266,229 | -51,242 | 214,987 |
| 31,363 | -11,831 | 19,532 | Highways and transport | 35,695 | -14,093 | 21,602 |
| 53,099 | -44,681 | 8,418 | Local authority housing (HRA) | 49,764 | -45,837 | 3,927 |
| 89,583 | -86,705 | 2,878 | Other housing services | 102,689 | -100,203 | 2,486 |
| 90,768 | -25,184 | 65,584 | Adult social care | 93,015 | -26,883 | 66,132 |
| 12,546 | -10,188 | 2,358 | Corporate and democratic core | 28,372 | -8,916 | 19,456 |
| 9,084 | 0 | 9,084 | Non distributed costs | 8,495 | 4 | 8,499 |
| 0 | 0 | 0 | Exceptional item | -114,213 | 0 | -114,213 |
| 668,552 | -284,603 | 383,949 | Cost of Services | 620,047 | -316,138 | 303,909 |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2009/10 | | | 2010/11 | | |
|-------------------|--------------|-----------------|-------------------|--------------|---|
| Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 24,922 | -4,706 | 20,216 | 25,982 | 0 | 25,982 |
| | | | | | Other operating expenditure (Note 9) |
| 52,844 | -8,907 | 43,937 | 18,176 | -6,899 | 11,277 |
| | | | | | Financing and investment income and expenditure (Note 10) |
| 0 | -414,750 | -414,750 | 0 | -428,931 | -428,931 |
| | | | | | Taxation and non-specific grant income (Note 11) |
| | | 33,352 | | | (Surplus) or Deficit on Provision of Services |
| | | -35,399 | | | Surplus or (deficit) on revaluation of Property, Plant and Equipment assets (Note 22) |
| | | 122,783 | | | Actuarial gains / (losses) on pension assets / liabilities (Note 22) |
| | | 87,384 | | | Other Comprehensive Income and Expenditure |
| | | 120,736 | | | Total Comprehensive Income and Expenditure |
| | | | | | -87,763 |
| | | | | | -29,441 |
| | | | | | -66,100 |
| | | | | | -95,541 |
| | | | | | -183,304 |

BALANCE SHEET

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

| Restated | Restated | | Notes | 31 March |
|-----------------|------------------|--|--------------|------------------|
| 1 April | 31 March | | | 2011 |
| 2009 | 2010 | | | £'000 |
| £'000 | £'000 | | | £'000 |
| | | Property, Plant & Equipment | 12 | |
| 82,732 | 90,653 | Council Dwellings | | 103,064 |
| 510,696 | 536,025 | Other Land and Buildings | | 533,584 |
| 17,630 | 16,420 | Vehicles, Plant, Furniture and Equipment | | 15,075 |
| 218,448 | 216,165 | Infrastructure Assets | | 218,054 |
| 13,875 | 13,447 | Community Assets | | 12,633 |
| 675 | 675 | Surplus Assets | | 2,729 |
| 20,503 | 8,611 | Assets under Construction | | 1,696 |
| 864,559 | 881,996 | | | 886,835 |
| 116,828 | 112,508 | Investment Property | 13 | 121,840 |
| 2,290 | 1,904 | Intangible Assets | 14 | 3,289 |
| 11,275 | 8,415 | Long Term Investments | 15 | 5,508 |
| 274 | 303 | Long Term Debtors | | 268 |
| 995,226 | 1,005,126 | Long Term Assets | | 1,017,740 |
| 82,473 | 52,493 | Short Term Investments | 15 | 86,064 |
| 3,134 | 3,968 | Assets Held for Sale | 18 | 1,387 |
| 1,873 | 1,803 | Inventories | | 1,874 |
| 46,955 | 60,127 | Short Term Debtors | 16 | 44,765 |
| 0 | 7,377 | Cash and Cash Equivalents | 17 | 6,992 |
| 134,435 | 125,768 | Current Assets | | 141,082 |
| -4,232 | 0 | Cash and Cash Equivalents | 17 | |
| -11,381 | -7,102 | Short Term Borrowing | 15 | -7,240 |
| -63,503 | -54,247 | Short Term Creditors | 19 | -54,400 |
| -11,934 | -5,222 | Provisions | 20 | -5,367 |
| -91,050 | -66,571 | Current Liabilities | | -67,007 |

BALANCE SHEET

| 1 April 2009 £'000 | 31 March 2010 £'000 | | Notes | 31 March 2011 £'000 |
|--------------------------|---------------------------|---|-------|---------------------------|
| -2,552 | -2,185 | Long Term Creditors | 15 | -2,915 |
| -4,064 | -10,161 | Provisions | 20 | -25,025 |
| -344,438 | -342,626 | Long Term Borrowing | 15 | -336,510 |
| -444,849 | -587,379 | Other Long Term Liabilities | 39 | -422,089 |
| -795,903 | -942,351 | Long Term Liabilities | | -786,539 |
| <u>242,708</u> | <u>121,972</u> | Net Assets | | <u>305,276</u> |
| | | Usable Reserves | 21 | |
| 6,664 | 9,609 | Balances - General Fund | | 6,227 |
| 10,566 | 11,358 | Balances - Housing Revenue Account | 8 | 15,139 |
| 11,326 | 10,022 | Capital Receipts Reserve | | 16,928 |
| 9,612 | 12,765 | Capital Grants Unapplied Account | | 14,051 |
| 55,190 | 49,937 | Earmarked Reserves | 8 | 50,211 |
| 93,358 | 93,691 | | | 102,556 |
| | | Unusable Reserves | 22 | |
| 59,681 | 87,617 | Revaluation Reserve | | 109,991 |
| -444,849 | -587,379 | Pensions Reserve | | -422,089 |
| 543,438 | 530,024 | Capital Adjustment Account | | 524,289 |
| 0 | 7,622 | Deferred Capital Receipts Reserve | | 0 |
| -1,051 | -1,012 | Financial Instrument Adjustment Account | | -1,053 |
| -7,869 | -8,591 | Accumulated Absences Account | | -8,418 |
| 149,350 | 28,281 | | | 202,720 |
| <u>242,708</u> | <u>121,972</u> | Total Reserves | | <u>305,276</u> |

CASH FLOW STATEMENT

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

| Restated 2009/10 £'000 | 2010/11 £'000 |
|---|--------------------------------|
| -33,352 Net (deficit) on the provision of services | 87,763 |
| 61,549 Adjustments to net surplus or deficit on the provision of services for non-cash movements | -4,573 |
| -34,258 Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and finance activities | -35,607 |
| <hr/> -6,061 Net cash flows from operating activities (note 23) | <hr/> 47,583 |
| 23,072 Investing activities (note 24) | -41,990 |
| -5,402 Financing activities (note 25) | -5,978 |
| <hr/> 11,609 Net increase or (decrease) in cash and cash equivalents | <hr/> -385 |
| -4,232 Cash and cash equivalents at the beginning of the operating period | 7,377 |
| <hr/> 7,377 Cash and cash equivalents at the end of the operating period (note 17) <hr/> <hr/> | <hr/> 6,992 <hr/> <hr/> |

NOTES TO THE ACCOUNTS

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31st March 2011.

The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. For the first time the Code is based on International Financial Reporting Standards (rather than UK GAAP). The code is 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 non-current assets that are measured at current value, and financial instruments which are now carried within the balance sheet at fair value as defined by the CIPFA Code.

The Accounts are prepared on a going concern basis.

ii. Accruals of Income and Expenditure

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure in the main on the basis of the effective interest rate for the relevant financial instrument, with the exception of the insurance fund balances where the 7day LIBID rate is payable.

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

iii. Acquisitions and Discontinued Operations

There have been no acquisitions or discontinued operations during the year.

iv. Cash and Cash Equivalents

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

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

v. Exceptional Items

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

The Comprehensive Income and Expenditure Account for 2010/11 includes an expenditure item of -£114,723. This relates to the notional gain to the Council of future Local Government Pension annual increases being linked to the Consumer Prices Index rather than the Retail Prices Index. This reflects in a substantially lower Council share of the notional Pension Fund Deficit as at 31st March 2011.

NOTES TO THE ACCOUNTS

vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

For the 2010/11 financial year the Authority has for the first time adopted the International Financial Reporting Standards (IFRS) as a basis of accounting for and reporting on transactions. In respect of this significant change material re-statement has been made in respect of 2009/10 comparator figures. Full analysis of all changes made are included as part of this statement.

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

As part of a review of Fixed Assets significant changes in assumptions have been made regarding the remaining useful lives of Primary Schools and Council housing. The effect of this is detailed on page 61 of these accounts.

vii. Charges to Revenue for Non-Current Assets

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

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

NOTES TO THE ACCOUNTS

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

viii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post Employment Benefits

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

NOTES TO THE ACCOUNTS

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

The Local Government Pension Scheme

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

- The liabilities of the City and County of Swansea pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of 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 bonds as required by IAS 19).
- The assets of the City and County of Swansea pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - 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 a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

NOTES TO THE ACCOUNTS

- gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve.

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

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

Impact of Government Policies

With effect from 1st April 2011 increases to Local Government pension payments and deferred pensioners will be linked to annual increases in the Consumer Prices index (CPI) rather than the Retail Prices Index (RPI). The effect of this change is to give rise to a reduction in the defined benefit obligation on the Authority's Balance Sheet and also reduces this (and future periods') current service and interest cost. The impact of changing from Retail Prices Index (RPI) to Consumer Prices Index (CPI) has been shown as an exceptional item within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Discretionary Benefits

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

NOTES TO THE ACCOUNTS

ix. Events After the Balance Sheet Date

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

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

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

x. Financial Instruments

Financial Liabilities

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

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

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

NOTES TO THE ACCOUNTS

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

Financial Assets

Financial assets are classified into three types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments
- fair value through Profit and Loss.

Loan and Receivables

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

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

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

NOTES TO THE ACCOUNTS

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

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

xi. Government Grants and Contributions

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

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

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

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

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

NOTES TO THE ACCOUNTS

xii. Business Improvement Districts

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

xiii. Intangible Assets

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

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

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

xiv. Interests in Companies and Other Entities

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

NOTES TO THE ACCOUNTS

xv. Inventories and Long Term Contracts

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

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

xvi. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

NOTES TO THE ACCOUNTS

xvii. Jointly Controlled Operations and Jointly Controlled Assets

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

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

xviii. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

NOTES TO THE ACCOUNTS

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

NOTES TO THE ACCOUNTS

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

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

Operating Leases

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

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

xix. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xx. Property, Plant and Equipment

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

NOTES TO THE ACCOUNTS

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- traditional dwellings - straight-line allocation over the useful life of the property (80 years)
- non traditional dwellings - straight-line allocation over the useful life of the property (30 years)
- other buildings - straight-line allocation over the useful life of the property (40 years unless specified)
- vehicles, plant, furniture and equipment - straight line allocation over the useful life of the asset (5 to 10 years)
- infrastructure - straight-line allocation over the useful life of the asset (20 to 40 years).

NOTES TO THE ACCOUNTS

The Authority will consider the componentisation of individual Property, Plant and Equipment as and when revaluation of assets takes place under the current five year revaluation cycle or when enhancement / acquisition expenditure is incurred.

For the current financial year no componentisation of assets has been undertaken although the Authority has substantially reviewed the estimated useful life of some Primary schools based on current redevelopment planning.

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.

Disposals and Non-Current Assets Held for Sale

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

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

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

NOTES TO THE ACCOUNTS

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

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

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

NOTES TO THE ACCOUNTS

Provision for Back Pay Arising from Unequal Pay Claims

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxii. Reserves

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

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

NOTES TO THE ACCOUNTS

xxiii. Revenue Expenditure Funded from Capital under Statute

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

xxiv. VAT

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

The Authority undertakes an annual review of its de-minimus VAT position under s33 of the VAT Act 1993 as required by HMRC. For the year ended 31st March 2011 the Authority believes that it will be below the de-minimus level in respect of exempt related input tax and hence will be entitled to recovery of input tax in full.

NOTES TO THE ACCOUNTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. The heritage assets held by the Authority are the collections of assets and artefacts either exhibited or stored in the local Authority museum. The two principal collections of heritage assets held in the museum include:

- ceramics, pottery, porcelain work and figurines,
- the art collection.

None of the above items are currently included in the fixed asset valuations of the Authority as at 31/03/11.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Authority is able to recognise more of its collections of heritage assets in the Balance Sheet.

The Authority anticipates that it will be able to recognise its collections as detailed above to the extent that current valuation work being undertaken by qualified valuers in this area is complete. Given the extensive nature of the collections valuers are focussing on high value items first within the valuation process. There is a clear issue around the potential disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements - this exemption is permitted by the 2011/12 Code.

NOTES TO THE ACCOUNTS

There is no depreciation charged on heritage assets because it is estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Authority considers that the heritage assets to be held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Authority's heritage assets.

Legal opinion will have to be sought as to the appropriate disclosure of these assets within the Authority's balance sheet particularly as most were donated as part of the Glynn Vivian collection which may specifically preclude the Council being able to realise gain or value from any of the assets.

3. Critical judgements in applying accounting policies

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

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

- The medium term financial plan approved by the Authority on 28th February 2011 detailed significant forecast revenue funding shortfalls over the medium term. However, there is no indication at present that any of the assets of the Authority may be impaired as a result of a need to close facilities and reduce the level of service provision.

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

- The Government has announced a fundamental review in respect of the provision of public sector pensions with a view to introducing any changes that may arise in the Autumn of 2011. There is no indication at the present time that the finances of the Authority will be adversely affected by any changes that are made.

NOTES TO THE ACCOUNTS

- The Authority is undertaking a fundamental review of its Schools portfolio with a view to both rationalising and significantly improving the quality of school premises available across the City (QED2020). In the light of this scheme and the outline timescale for implementation, the useful lives of some school buildings have been re-evaluated and considerably reduced from that previously used. The effect of this is to accelerate residual depreciation affecting both the Comprehensive Income and Expenditure Statement and the net book value as shown on the Balance Sheet.

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

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

The items in the Authority's Balance Sheet as at 31st March 2011 for which there is a significant risk of material adjustment in the forthcoming year are as follows:-

| Item | Uncertainties | Effect if actual results differ from assumptions |
|-------------------------------|--|--|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependant upon assumptions over the specific life expectancy of those assets. As stated in note 3 a review has been undertaken of a significant number of school buildings and in particular the impact of the Councils strategic QED 2020 plan for asset replacement. | To the extent that useful lives have been determined wrongly the result could be:- a) In the event of a further reduction in useful lives there would be an additional charge to revenue and a reduction in the carrying value of the asset. b) In the event that useful lives have been underestimated this would result in a substantially reduced revenue charge and an increase in the carrying value of such assets as and when the useful life is deemed to be extended. |

NOTES TO THE ACCOUNTS

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---------------------|---|--|
| | | In any event the effect of depreciation is reversed out of the Comprehensive Income and Expenditure Statement to have nil effect on the Council taxpayer. |
| Provisions | The Authority has set aside specific provisions to meet the cost of known equal pay claims and potential costs arising from the introduction of an equality proofed pay and grading structure. The provision is based on the Authority's best estimate of the likely costs of settling the liability. | The Authority has also set aside reserves to mitigate against any potential additional costs arising in future years from equal pay implementation. The Authority would seek to make good any shortfall in the provision by use of these reserves. |
| Pension liabilities | The Authority's share of the pension fund liability as at 31st March 2011 is £422.089m. However, the fund is subject to a triennial valuation which at present reviews the level of employers contributions in order to ensure the long term sustainability of the fund. At the same time, the Government has announced potential changes to the nature and substance of the Local Government Pension Scheme which are likely, if implemented, to lead to an improvement in the position as stated. | The Pension Fund is designed to be sustainable over the long term and it is unlikely that there will be any significant short term impact on the Authority's finances arising from any assumptions currently made or decisions that are likely in the coming financial year. |

NOTES TO THE ACCOUNTS

| Item | Uncertainties | Effect if actual results differ from Assumptions |
|-----------------------------------|--|--|
| Insurance Provisions and Reserves | The Authority has set aside provisions to meet contractual excess amounts from known and existing insurance claims. In deciding the level of provision to make in respect of ongoing claims, the Authority has taken advice from its legal advisers and or its contracted loss adjusters B4Legal. The Authority also maintains an insurance reserve which is used to meet the cost of future unforeseen events based on previous experience. | Should the sums set aside prove insufficient to meet these payments there would be an immediate revenue effect in the year that the available sums were exhausted. Equally, the Authority regularly reviews the level of both provisions and reserves with a view to releasing funds back to revenue if appropriate. |

5. Material items of income and expense.

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

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

The effect of this is to create a revenue charge within the Comprehensive Income and Expenditure account of £13.699m, which is reflected in an equal and opposite transfer from earmarked reserves within the Movement in Reserves Statement.

b) The introduction of International Financial Reporting Standards (IFRS) has changed the way that the Authority accounts for both Capital and Revenue Grants.

NOTES TO THE ACCOUNTS

In respect of Capital Grants, previous treatment was to credit the grant income to an Account (Government Grants Deferred Account) and release the grant to revenue over the expected life of the asset to which it related. IFRS requires, however, that such grants are credited to revenue in full at the point at which all grant conditions are satisfied. This entry shows as a credit against service definitions (£9.191m, 2009/10 £5.994m) to the extent that it relates to Revenue Expenditure Funded from Capital under Statute and otherwise shows as a credit within the Taxation and Non Specific Grant Income line (£29.459m, 2009/10 £28.263m). All entries are reversed out in the Movement in Reserves Statement.

The Comprehensive Income and Expenditure Account for 2010/11 includes an expenditure item of -£114,213. This relates to the notional gain to the Council of future Local Government Pension annual increases being linked to the Consumer Prices Index rather than the Retail Prices Index. This reflects in a substantially lower Council share of the notional Pension Fund Deficit as at 31st March 2011.

During the year the Authority incurred termination benefits of £3.713m in respect of severance costs relating to organisational restructure.

6. Events after the Balance Sheet date

On 16th June 2011, emergency services responded to a major fire incident within the Authority's area.

The extent of the fire - which does not involve Authority premises - required a multi-agency response to the incident.

Approximate costs to the Authority for managing this incident, arranging for the removal and landfill of burning material and site demolition works are, at 30th June 2011 estimated to be in the order of £2m.

The Authority will seek to recover this expenditure from appropriate parties and will be seeking assistance via a Welsh Government Emergency Assistance Scheme.

If no recovery is made it is likely that the residual costs to the Authority (after emergency assistance) will be £1m at a minimum.

As outlined in note 48, the decision to uplift public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the Government have not been assessed.

NOTES TO THE ACCOUNTS

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2010/11

| | Usable Reserves | | | | |
|--|----------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Unusable Reserves £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | |
| Charges for depreciation and impairment of non-current assets | 57,693 | 15,336 | | | -73,029 |
| Charges for impairment of Assets Held For Sale | 569 | | | | -569 |
| Revaluation losses on Property Plant and Equipment | 4,738 | | | | -4,738 |
| Movement in the market value of Investment Properties | -21,453 | 706 | | | 20,747 |
| Amortisation of intangible assets | 456 | | | | -456 |
| Capital grants and contributions applied | -27,064 | -10,300 | | | 37,364 |
| Revenue expenditure funded from capital under statute | 12,556 | | | | -12,556 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | |
| Statutory provision for the financing of capital investment | -14,382 | -1,505 | | | 15,887 |
| Capital expenditure charged against the General Fund and HRA balances | -2,445 | -1,719 | | | 4,164 |

NOTES TO THE ACCOUNTS

2010/11

Usable Reserves

| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Unusable Reserves £'000 |
|--|-------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--|
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | -28,350 | -10,300 | | 38,650 | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 27,064 | 10,300 | | -37,364 | |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 337 | | 4,581 | | -4,918 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | -575 | | 575 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | | -4,704 | | 4,704 |
| Adjustment primarily involving the Deferred Capital Receipts Reserve: | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | | | 7,622 | | -7,622 |

NOTES TO THE ACCOUNTS

2010/11

| | Usable Reserves | | | | |
|---|-------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Unusable Reserves £'000 |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | -60 | 101 | | | -41 |
| Adjustments primarily involving the Pensions Reserve: | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 22) | -68,507 | 2,254 | | | 66,253 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | -31,628 | -1,309 | | | 32,937 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | -253 | 80 | | | 173 |
| Total Adjustments | -90,729 | 3,644 | 6,924 | 1,286 | 78,875 |

NOTES TO THE ACCOUNTS

2009/10 Comparative Figures

| | Usable Reserves | | | | |
|---|----------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Unusable Reserves £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | |
| Charges for depreciation and impairment of non-current assets | 38,408 | 19,728 | | | -58,136 |
| Revaluation losses on Property Plant and Equipment | 5,201 | | | | -5,201 |
| Movement in the market value of Investment Properties | 2,312 | -268 | | | -2,044 |
| Amortisation of intangible assets | 442 | | | | -442 |
| Capital grants and contributions applied | -22,005 | -9,100 | | | 31,105 |
| Reversed depreciation grants | 5,995 | | | | -5,995 |
| Revenue expenditure funded from capital under statute | 3,125 | 80 | | | -3,205 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | |
| Statutory provision for the financing of capital investment | -13,437 | -1,547 | | | 14,984 |
| Capital expenditure charged against the General Fund and HRA balances | -5,454 | -4,226 | | | 9,680 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | -24,158 | -10,100 | | 34,258 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 22,005 | 9,100 | | -31,105 | 0 |

NOTES TO THE ACCOUNTS

2009/10 Comparative Figures

| | Usable Reserves | | | | |
|---|-------------------------|----------------------------|-----------------------------|-----------------------------|-------------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | -4,713 | | 10,505 | | -5,792 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | -527 | | 527 |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | | 19 | -19 | | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | | -3,641 | | 3,641 |
| Adjustment primarily involving the Deferred Capital Receipts Reserve: | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | | | -7,622 | | 7,622 |
| Adjustment primarily involving the Financial Instruments Adjustment Account: | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | -140 | 101 | | | 39 |

NOTES TO THE ACCOUNTS

2009/10 Comparative Figures

| | Usable Reserves | | | | |
|---|-------------------------|----------------------------|-----------------------------|-----------------------------|-------------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Pensions Reserve: | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 22) | 48,788 | 2,512 | | | -51,300 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | -30,263 | -1,290 | | | 31,553 |
| Adjustment primarily involving the Accumulated Absences Account: | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 708 | 14 | | | -722 |
| Total Adjustments | 26,814 | 5,023 | -1,304 | 3,153 | -33,686 |

NOTES TO THE ACCOUNTS

8. Transfers To / From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

| | Balance at 1st April 2009 £'000 | Transfers Out 2009/10 £'000 | Transfers In 2009/10 £'000 | Balance at 31st March 2010 £'000 | Transfers Out 2010/11 £'000 | Transfers In 2010/11 £'000 | Balance at 31st March 2011 £'000 |
|--|---------------------------------------|-----------------------------------|----------------------------------|---|-----------------------------------|----------------------------------|---|
| General Fund: | | | | | | | |
| Balances held by schools under the scheme of delegation | 5,133 | -1,264 | | 3,869 | -409 | 168 | 3,628 |
| Primary School Sickness Scheme Reserve | 0 | | | 0 | | 871 | 871 |
| Capital financing charges reserve | 4,208 | -2,500 | | 1,708 | | | 1,708 |
| Other equalisation reserves | 812 | | | 812 | | | 812 |
| Information technology reserves | 1,503 | -117 | 211 | 1,597 | -171 | | 1,426 |
| Contingency reserve | 11,325 | -3,320 | | 8,005 | -3,314 | 56 | 4,747 |
| Development reserves | 3,355 | -766 | 709 | 3,298 | -222 | 186 | 3,262 |
| Insurance reserves | 8,417 | | 1,528 | 9,945 | -35 | 4,505 | 14,415 |
| Other earmarked revenue reserves | 16,071 | -2,109 | 5,244 | 19,206 | -13,210 | 11,155 | 17,151 |
| Revenue reserve earmarked to fund future capital expenditure | 4,366 | -3,059 | 190 | 1,497 | | 694 | 2,191 |
| Total | 55,190 | -13,135 | 7,882 | 49,937 | -17,361 | 17,635 | 50,211 |
| HRA: | | | | | | | |
| Housing Revenue Account | 10,566 | | 792 | 11,358 | | 3,781 | 15,139 |
| Total | 10,566 | 0 | 792 | 11,358 | 0 | 3,781 | 15,139 |

The balances for Development reserves and Other earmarked revenue reserves have been restated for 1st April 2009 and 31st March 2010 due to a review of the reserve categories. The £4.135m for the Housing Revenue Account includes a reserve reclassification of £96k.

NOTES TO THE ACCOUNTS

9. Other Operating Expenditure

| 2009/10 | 2010/11 |
|--|----------------|
| £'000 | £'000 |
| 708 Community Council precepts | 801 |
| 12,546 South Wales Police Authority precept | 13,293 |
| 11,668 Levies and Contributions | 11,551 |
| -4,706 Gains/losses on the disposals of non-current assets | 337 |
| 20,216 | 25,982 |

10. Financing and Investment Income and Expenditure

| 2009/10 | 2010/11 |
|---|----------------|
| £'000 | £'000 |
| 19,226 Interest payable and similar charges | 18,910 |
| 31,040 Pensions interest cost and expected return on pension assets | 19,570 |
| -2,616 Interest receivable and similar income | -885 |
| Income and expenditure in relation to investment properties and | |
| -3,713 changes in their fair value | -26,318 |
| 43,937 | 11,277 |

11. Taxation and Non Specific Grant Incomes

| 2009/10 | 2010/11 |
|---|-----------------|
| £'000 | £'000 |
| -92,556 Council tax income | -97,544 |
| -62,571 Non domestic rates | -65,411 |
| -231,359 Non-ringfenced government grants | -236,517 |
| -28,264 Capital grants and contributions | -29,459 |
| -414,750 | -428,931 |

NOTES TO THE ACCOUNTS

12. Property, Plant and Equipment Movement on Balances

Movements in 2010/11:

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total Property, Plant and Equipment £'000 |
|--|----------------------------|--------------------------------------|---|-----------------------------------|---------------------------|-------------------------|---------------------------------------|--|
| Restated Cost or valuation | | | | | | | | |
| At 1 April 2010 | 98,849 | 557,633 | 27,899 | 292,599 | 16,753 | 702 | 8,611 | 1,003,046 |
| additions | 12,122 | 19,654 | 3,126 | 8,744 | | | 13,937 | 57,583 |
| revaluation increases / (decreases) recognised in the Revaluation Reserve | 7,601 | 2,617 | | | | 1,438 | | 11,656 |
| revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | -846 | -3,818 | | | -589 | -297 | | -5,550 |
| impairment losses/reversals recognised in the Surplus/Deficit on the Provision of Services | -12,119 | -16,722 | -210 | | | -346 | | -29,397 |
| derecognition - disposals | 0 | 0 | -1,139 | | | | | -1,139 |

NOTES TO THE ACCOUNTS

Movements in 2010/11:

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|---|-------------------|--------------------------|--|-----------------------|------------------|----------------|---------------------------|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| assets reclassified (to)/from Held for Sale | -734 | -25 | -27 | | | -275 | | -1,061 |
| other reclassifications | 133 | 5,010 | -93 | 946 | 6 | 1,563 | -8,267 | -702 |
| REFCUS | | | | | | | -12,585 | -12,585 |
| other movements in cost or valuation | 0 | 0 | 0 | -53 | 0 | -1 | 0 | -54 |
| At 31 March 2011 | 105,006 | 564,349 | 29,556 | 302,236 | 16,170 | 2,784 | 1,696 | 1,021,797 |
| Restated Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2010 | -8,196 | -21,608 | -11,479 | -76,434 | -3,306 | -27 | 0 | -121,050 |
| depreciation charge | -2,809 | -18,141 | -4,223 | -7,748 | -409 | -35 | 0 | -33,365 |
| depreciation written out to the Revaluation Reserve | 8,710 | 8,726 | | | | -60 | | 17,376 |

NOTES TO THE ACCOUNTS

Movements in 2010/11:

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|-------------------|--------------------------|--|-----------------------|------------------|----------------|---------------------------|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| depreciation written out to the Surplus/Deficit on the Provision of Services | 354 | 182 | | | 178 | 98 | | 812 |
| impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | | | | | | 44 | | 44 |
| derecognition - disposals | | | 1,139 | | | | | 1,139 |
| other movements in depreciation and impairment | -1 | 76 | 82 | | | -75 | | 82 |
| At 31 March 2011 | -1,942 | -30,765 | -14,481 | -84,182 | -3,537 | -55 | 0 | -134,962 |

Net Book Value

| | | | | | | | | |
|------------------|---------|---------|--------|---------|--------|-------|-------|---------|
| at 31 March 2010 | 90,653 | 536,025 | 16,420 | 216,165 | 13,447 | 675 | 8,611 | 881,996 |
| at 31 March 2011 | 103,064 | 533,584 | 15,075 | 218,054 | 12,633 | 2,729 | 1,696 | 886,835 |

NOTES TO THE ACCOUNTS

Comparative Movements in 2009/10:

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|---|-------------------|--------------------------|--|-----------------------|------------------|----------------|---------------------------|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Restated Cost or valuation | | | | | | | | |
| At 1 April 2009 | 91,020 | 535,321 | 26,992 | 287,525 | 16,768 | 702 | 20,503 | 978,831 |
| additions | 14,171 | 12,236 | 2,884 | 8,631 | 421 | | 8,288 | 46,631 |
| increases/ (decreases) recognised in the Revaluation Reserve | 7,904 | 10,868 | | | 2 | | | 18,774 |
| revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | | -2,540 | | -5,417 | | | -1,234 | -9,191 |
| impairment losses/reversals recognised in the Surplus/Deficit on the Provision of Services | -16,974 | -5,473 | -11 | -176 | -421 | | | -23,055 |
| Derecognition - Disposals | | | -2,100 | | | | | -2,100 |

NOTES TO THE ACCOUNTS

Comparative Movements in 2009/10:

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|-------------------|--------------------------|--|-----------------------|------------------|----------------|---------------------------|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| assets reclassified (to)/from Held for Sale | -580 | -1,772 | | | | | | -2,352 |
| other movements in cost or valuation | 3,308 | 8,993 | 134 | 2,036 | -17 | | -18,946 | -4,492 |
| At 31 March 2010 | 98,849 | 557,633 | 27,899 | 292,599 | 16,753 | 702 | 8,611 | 1,003,046 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2009 | -8,288 | -24,625 | -9,362 | -69,077 | -2,893 | -27 | 0 | -114,272 |
| depreciation charge | -2,728 | -13,028 | -4,219 | -7,622 | -413 | 0 | 0 | -28,010 |
| depreciation written out to the Revaluation Reserve | 2,811 | 13,426 | 2 | | | | | 16,239 |
| depreciation written out to the Surplus/Deficit on the Provision of Services | | 2,488 | | 268 | | | | 2,756 |

NOTES TO THE ACCOUNTS

Comparative Movements in 2009/10:

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--|-------------------|--------------------------|--|-----------------------|------------------|----------------|---------------------------|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | | 17 | | | | | | 17 |
| Derecognition - Disposals | | | 2,100 | | | | | 2,100 |
| other movements in depreciation and impairment | 9 | 114 | | -3 | | | | 120 |
| 2010 | -8,196 | -21,608 | -11,479 | -76,434 | -3,306 | -27 | 0 | -121,050 |

Net Book Value

At 31 March

2009 **82,732** **510,696** **17,630** **218,448** **13,875** **675** **20,503** **864,559**

At 31 March

2010 **90,653** **536,025** **16,420** **216,165** **13,447** **675** **8,611** **881,996**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- council dwellings - 30 to 80 years
- other buildings - 40 years (unless specified)
- vehicles, plant, furniture and equipment - 5 to 10 years
- infrastructure - 20 to 40 years.

NOTES TO THE ACCOUNTS

Capital Commitments

As at 31 March 2011 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £10.589m. Similar commitments at 31 March 2010 were £10.272m. The major commitments are:

- Cefn Hengoed Community School refurbishment £8.108m
- Swansea Bus Station £0.961m
- Oystermouth Castle £1.520m.

Effect of Change in Estimates

In 2010/11 the Authority made two material changes to its accounting estimates for Property, Plant and Equipment:

- The Authority is undertaking a fundamental review of its Schools portfolio with a view to both rationalising and significantly improving the quality of school premises available across the City (QED2020). In the light of this scheme and the outline timescale for implementation, the useful lives of some school buildings have been re-evaluated and considerably reduced from that previously used. The effect of this is to accelerate residual depreciation affecting both the Comprehensive Income and Expenditure Statement and the net book value as shown on the Balance Sheet. In 2010/11, an additional £3.552m depreciation was charged as a result of this exercise.

- During 2010/11 the Authority critically reviewed the remaining useful economic lives of council houses. As at 31 December 2010 the majority of the housing stock had a remaining useful economic life of approximately 32 years. This was amended to 80 years for traditional housing and 30 years for non traditional housing. The net effect of this is to decelerate the residual depreciation affecting both the Comprehensive Income and Expenditure Statement and the net book value as shown on the Balance Sheet. In 2010/11, the depreciation charge was reduced by £0.297m as a result of this exercise.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation dates for 2010/11 were 30th June 2010, 30th September 2010, 31st December 2010 and 31st March 2011.

The significant assumption applied in estimating fair value for Property, Plant and Equipment is that the asset will continue in its existing use. Where there is a market for a particular asset, its value will be derived from comparable evidence. Where there is no market for an asset e.g. schools and libraries, the use of the Depreciated Replacement method of valuation has been adopted.

NOTES TO THE ACCOUNTS

13. Investment Properties

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

| 2009/10 | 2010/11 |
|---|----------------|
| £'000 | £'000 |
| 6,291 Rental income from investment property | 6,014 |
| -534 Direct operating expenses arising from investment property | -443 |
| <u>5,757</u> Net gain/(loss) | <u>5,571</u> |

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

| | |
|---|----------------|
| 116,828 Balance at start of the year | 112,508 |
| Additions: | |
| 515 - Purchases | 49 |
| 3,330 - Construction | |
| -4,004 Disposals | -587 |
| -2,044 Net gains/losses from fair value adjustments | 20,747 |
| Transfers: | |
| 4,933 - to/from Property, Plant and Equipment | -572 |
| -118 Impairment | -10305 |
| -6,932 Other changes | 0 |
| <u>112,508</u> Balance at end of the year | <u>121,840</u> |

14. Intangible Assets

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

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

NOTES TO THE ACCOUNTS

| <u>Purchased Licences</u> | | <u>Other IT software</u> | |
|---------------------------|----------|-------------------------------|---------|
| Windows Licences | 4 years | Payroll Development | 5 years |
| Paris Software | 5 years | Server Virtualisation Project | 5 years |
| Oracle Licences | 10 years | | |

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £456k charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

| 2009/10 | | 2010/11 |
|--------------------|---|--------------------|
| Purchased Licences | | Purchased Licences |
| £'000 | | £'000 |
| | Balance at start of year: | |
| 2,663 | - Gross carrying amounts | 2,719 |
| -373 | - Accumulated amortisation | -815 |
| 2,290 | Net carrying amount at start of year | 1,904 |
| | Additions: | |
| 56 | - Purchases during year | 628 |
| | Impairment losses recognised in the | |
| | Surplus/Deficit on the Provision of | |
| 0 | Services | -5 |
| -442 | Amortisation for the period | -456 |
| 0 | Other changes | 1,218 |
| 1,904 | Net carrying amount at end of year | 3,289 |
| | Comprising: | |
| 2,719 | - Gross carrying amounts | 4,614 |
| -815 | - Accumulated amortisation | -1,325 |
| 1,904 | | 3,289 |

There are four items of capitalised software that are individually material to the financial statements:

| | <u>Carrying Amount</u> | |
|-------------------------------|------------------------|------------------------------------|
| 31 Mar 2010 | | 31 Mar 2011 Remaining Amortisation |
| £'000 | | £'000 Period as at 31 Mar 11 |
| Oracle Licences | 1,016 | 862 5 years 7 months |
| Windows Licences | 840 | 560 2 years |
| Payroll Development | 0 | 1,302 5 years |
| Server Virtualisation Project | 0 | 424 5 years |

NOTES TO THE ACCOUNTS

15. Financial Instruments

The notes on financial instruments (investments and loans in our case) on the following pages are the requirement of the code. IFRS requires for the restatement of nominal amounts for loans and investments to include for example the spread cost of premium / discounts and using equivalent interest rates instead of actual stepped interest rates in the case of 'amortised cost' and also the restatement of the nominal values of the loans and investments if they were to be refinanced in the market at 31st March 2011 in the 'fair value' disclosure.

TYPES OF FINANCIAL INSTRUMENTS

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

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

| | Long-Term | | | Short-Term | | | Total | | |
|---|--------------------------------|--------------------------------|----------------------------|--------------------------------|--------------------------------|----------------------------|--------------------------------|--------------------------------|----------------------------|
| | 31st March 2011 £'000 | 31st March 2010 £'000 | 1st April 2009 £'000 | 31st March 2011 £'000 | 31st March 2010 £'000 | 1st April 2009 £'000 | 31st March 2011 £'000 | 31st March 2010 £'000 | 1st April 2009 £'000 |
| Borrowings | | | | | | | | | |
| Financial liabilities at amortised cost | 339,425 | 344,811 | 346,990 | 56,403 | 55,950 | 67,716 | 395,828 | 400,761 | 414,706 |
| Total financial liabilities | 339,425 | 344,811 | 346,990 | 56,403 | 55,950 | 67,716 | 395,828 | 400,761 | 414,706 |
| Investments | | | | | | | | | |
| Loans and receivables | 5,501 | 8,383 | 11,354 | 124,484 | 130,989 | 119,385 | 129,985 | 139,372 | 130,739 |
| Fair value through Profit or Loss | 0 | 0 | 0 | 22,127 | 21,965 | 21,867 | 22,127 | 21,965 | 21,867 |
| Unquoted equity valued at cost | 50 | 50 | 50 | 0 | 0 | 0 | 50 | 50 | 50 |
| Total financial assets | 5,551 | 8,433 | 11,404 | 146,611 | 152,954 | 141,252 | 152,162 | 161,387 | 152,656 |

Notes

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

NOTES TO THE ACCOUNTS

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

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

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

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

| 2010/11 | Financial Liabilities | Financial Assets | | |
|---|---|-----------------------------------|---|----------------|
| | Liabilities measured at amortised cost £'000 | Loans and receivables £'000 | Fair value through profit or loss £'000 | Total £'000 |
| Interest expense | 18,884 | 0 | 0 | 18,884 |
| Premiums on repayment | 0 | 0 | -144 | -144 |
| Interest payable and similar charges | 18,884 | 0 | -144 | 18,740 |
| Interest income | 0 | 1,466 | 317 | 1,783 |
| Interest and investment income | 0 | 1,466 | 317 | 1,783 |
| Change in fair value | 0 | 0 | -48 | -48 |
| Net gain/(loss) for the year | 18,884 | 1,466 | 125 | 20,475 |

NOTES TO THE ACCOUNTS

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

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 ACCOUNTS

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 31st March 2011.
- 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 2011 | | 31st March 2010 | | 1st April 2009 | |
|------------------------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| PWLB - maturity | 236,167 | 259,125 | 241,181 | 287,284 | 246,211 | 302,847 |
| PWLB - annuity | 6,737 | 8,140 | 7,688 | 9,791 | 8,548 | 11,267 |
| PWLB - EIP | 77 | 81 | 128 | 141 | 179 | 204 |
| LOBOs | 99,613 | 108,301 | 99,613 | 112,948 | 99,613 | 99,921 |
| Temporary borrowings | 1,156 | 1,156 | 1,118 | 1,118 | 1,268 | 1,268 |
| Trade payables | 52,078 | 52,078 | 51,033 | 51,033 | 58,887 | 58,887 |
| Financial liabilities | 395,828 | 428,881 | 400,761 | 462,315 | 414,706 | 474,394 |

Fair value is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans. The fair value of the PWLB Loans using the repayment rate is £313.477m.

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

| | 31st March 2011 | | 31st March 2010 | | 1st April 2009 | |
|---|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Cash | 22,267 | 22,267 | 37,965 | 37,965 | 15,708 | 15,708 |
| Deposits with banks and building societies | 66,902 | 67,279 | 46,947 | 47,232 | 73,188 | 73,476 |
| Loan to Gorseinon Community Development Trust | 80 | 80 | 80 | 80 | 80 | 80 |
| Trade receivables | 40,736 | 40,736 | 54,380 | 54,380 | 41,763 | 41,763 |
| Financial assets | 129,985 | 130,362 | 139,372 | 139,657 | 130,739 | 131,027 |

NOTES TO THE ACCOUNTS

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

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's management of treasury risks actively works to minimise the Authority's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Authority has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, 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 Authority's customers. It is the policy of the Authority to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Authority's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Authority also has a policy of limiting deposits with single institutions to a maximum of £15m and a limit on the maximum size of one transaction in placing a deposit of £5m.

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

TABLE 5 – CREDIT RISK (A)

| | Amounts at 31 March 2011 £'000 | Historical experience of default % | Historical experience adjusted for market conditions as at 31 March 2011 % | Estimated maximum exposure to default and uncollectability £'000 |
|--|---|---|---|---|
| Deposits with banks and other financial institutions | 89,169 | 0 | 0 | 0 |
| Loan to Gorseinon CDT | 80 | 0 | 0 | n/a |
| Bonds and other securities | 22,177 | 0 | 0 | 0 |
| Service Users | 40,736 | 7.5 | 8.8 | 3,572 |
| Total | 152,162 | | | 3,572 |

NOTES TO THE ACCOUNTS

| | Amounts at 31 March 2010 £'000 | Historical experience of default % | Historical experience adjusted for market conditions as at 31 March 2010 % | Estimated maximum exposure to default and uncollectability £'000 |
|--|--|---|---|---|
| Deposits with banks and other financial institutions | 84,912 | 0 | 0 | 0 |
| Loan to Gorseinon CDT | 80 | 0 | 0 | n/a |
| Bonds and other securities | 22,015 | 0 | 0 | 0 |
| Service Users | 54,380 | 9.7 | 7.5 | 4,090 |
| Total | 161,387 | | | 4,090 |

| | Amounts at 1st April 2009 £'000 | Historical experience of default % | Historical experience adjusted for market conditions as at 1st April 2009 % | Estimated maximum exposure to default and uncollectability £'000 |
|--|---|---|--|---|
| Deposits with banks and other financial institutions | 88,896 | 0 | 0 | 0 |
| Loan to Gorseinon CDT | 80 | 0 | 0 | n/a |
| Bonds and other securities | 21,917 | 0 | 0 | 0 |
| Service Users | 41,763 | 8 | 9.7 | 4,044 |
| Total | 152,656 | | | 4,044 |

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

2. Liquidity Risk

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

NOTES TO THE ACCOUNTS

The maturity structure of financial liabilities at nominal value is as follows (liability figure per Table 1 includes accrued interest on PWLB and LOBOs of £5,747k (prior year £5,809k and 1 April 2009 £5,844k) and trade payables of £52,078k (prior year £51,033k and 1 April 2009 £58,887k):

TABLE 6 – LIQUIDITY RISK

| 1st April 2009 £'000 | On 31 March 2010 £'000 | Loans outstanding | On 31 March 2011 £'000 |
|----------------------------|------------------------------|--------------------------|------------------------------|
| 250,707 | 244,824 | Public Works Loans Board | 238,847 |
| 98,000 | 98,000 | Market debt / LOBOs | 98,000 |
| 1,254 | 1,090 | Temporary borrowing | 1,155 |
| 13 | 4 | Local bonds | 0 |
| 1 | 1 | Other | 1 |
| 349,975 | 343,919 | Total | 338,003 |

| 1st April 2009 £'000 | On 31 March 2010 £'000 | Loans outstanding | On 31 March 2011 £'000 |
|----------------------------|------------------------------|------------------------|------------------------------|
| 7,150 | 7,072 | Less than 1 year | 7,240 |
| 5,978 | 6,084 | Between 1 and 2 years | 6,175 |
| 18,542 | 19,782 | Between 2 and 5 years | 16,795 |
| 19,802 | 12,479 | Between 5 and 10 years | 9,292 |
| 298,503 | 298,502 | More than 10 years | 298,501 |
| 349,975 | 343,919 | Total | 338,003 |

In the more than 10 years category there are £58m (31 March 2010 £38m, 1st April 2009 £48m) of LOBOs which have a call date in the next 12 months.

3. Market Risk

Interest rate risk -

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

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

TABLE 7 – INTEREST RATE RISK

| | £'000 |
|--|--------------|
| Increase in interest payable on variable rate borrowings | 580 |
| Increase in interest receivable on variable rate investments | 0 |
| Increase in government grant receivable for financing costs | 0 |
| Impact on Income and Expenditure Account | 580 |
| Share of overall impact debited to the Housing Revenue Account | 114 |
| | |
| Decrease in fair value of 'available for sale' investment assets | 0 |
| Impact on Other Comprehensive Income and Expenditure | 0 |
| | |
| Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income & Expenditure Statement) | 52,464 |
| Decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income & Expenditure Statement) | 232 |
| The impact of a 1% fall in interest rates would be as above but with the movements being reversed. | |

Foreign Exchange Risk

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

NOTES TO THE ACCOUNTS

Financial Instruments Adjustment Account

| 31/03/2010 £'000 | 31/03/2011 £'000 |
|--|---------------------|
| -1,051 Balance brought forward | -1,012 |
| 355 PWLB Premia amortisation | 257 |
| -306 PWLB Discounts amortisation | -305 |
| -8 LOBO equivalent interest rate amortisation | 9 |
| -2 Notional advances right to buy sales | -2 |
| -1,012 Published Balance as at 31st March | -1,053 |

Analysis of Borrowing

| 01/04/2009 £'000 | 31/03/2010 £'000 | 31/03/2011 £'000 |
|--|---------------------|---------------------|
| Sources of borrowing | | |
| 244,825 Public Works Loan Board | 243,013 | 236,897 |
| 99,613 Money market | 99,613 | 99,613 |
| 344,438 Total borrowing greater than one year | 342,626 | 336,510 |
| 0 Stock issues | 1 | 1 |
| 10,114 Public Works Loans Board | 6,007 | 6084 |
| 13 Local bonds & internal mortgages | 4 | 134 |
| 1,254 Temporary loans | 1,090 | 1021 |
| 11,381 Total borrowing less than one year | 7,102 | 7,240 |
| 355,819 | 349,728 | 343,750 |

Maturity dates for the repayment of loans

| 01/04/2009 £'000 | 31/03/2010 £'000 | 31/03/2011 £'000 |
|------------------------------------|---------------------|---------------------|
| 1,254 Temporary loans up to 1 year | 1,090 | 1,021 |
| Long term debt maturing within:- | | |
| 5,896 1 year | 5,982 | 6,219 |
| 5,977 1 - 2 years | 10,280 | 10,309 |
| 18,543 2 – 5 years | 19,782 | 16,795 |
| 19,801 5 -10 years | 12,479 | 9,292 |
| 304,348 Over 10 years | 300,115 | 300,114 |
| 355,819 | 349,728 | 343,750 |

NOTES TO THE ACCOUNTS

16. Debtors

| 1st April 2009 | 31st March 2010 | 31st March 2011 |
|---------------------------------------|-----------------|-----------------|
| £'000 | £'000 | £'000 |
| 25,637 Central government bodies | 25,912 | 22,572 |
| 1,841 Other local authorities | 3,476 | 556 |
| 3,140 NHS bodies | 6,973 | 1,056 |
| | | |
| Public corporations and trading | | |
| 268 funds | 170 | 90 |
| 16,069 Other entities and individuals | 23,596 | 20,491 |
| 46,955 Total | 60,127 | 44,765 |

17. Cash and Cash Equivalents

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

| 1st April 2009 | 31st March 2010 | 31st March 2011 |
|---|-----------------|-----------------|
| £'000 | £'000 | £'000 |
| 527 Cash held by the Authority | 473 | 438 |
| 17,998 Bank current accounts | 46,655 | 21,554 |
| -22,757 Bank overdraft | -39,751 | -15,000 |
| -4,232 Total Cash and Cash Equivalents | 7,377 | 6,992 |

NOTES TO THE ACCOUNTS

18. Assets Held for Sale

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

| 2009/10 £'000 | 2010/11 £'000 |
|---|------------------|
| 3,134 Balance outstanding at start of year | 3,968 |
| Assets newly classified as held for sale: | |
| 410 - Property, Plant and Equipment | 94 |
| -19 Revaluation losses | 0 |
| 0 Impairment losses | -569 |
| Assets classified as held for sale: | |
| 2,246 - Property, Plant and Equipment | 1,034 |
| -1,803 Assets sold | -3,140 |
| 3,968 Balance outstanding at year end | 1,387 |

19. Creditors

| 1st April 2009 £'000 | 31st March 2010 £'000 | 31st March 2011 £'000 |
|---|--------------------------|--------------------------|
| 12,516 Central government bodies | 10,133 | 9,059 |
| 5,626 Other local authorities | 4,079 | 4,073 |
| 688 NHS bodies | 842 | 720 |
| 1,250 Public corporations and trading funds | 194 | 535 |
| 43,423 Other entities and individuals | 38,999 | 40,013 |
| 63,503 Total | 54,247 | 54,400 |

NOTES TO THE ACCOUNTS

20. Provisions

2010/11

Short - term and long - term

| | Outstanding Legal Cases £'000 | Injury and Damage Compensation Claims £'000 | Employee Benefits £'000 | Other Provisions £'000 | Total £'000 |
|---------------------------------------|-------------------------------------|---|-------------------------------|------------------------------|----------------|
| Balance at 1 April 2010 | 266 | 9,746 | 3,621 | 1,750 | 15,383 |
| Additional provisions made in 2010/11 | 36 | 12,454 | 14,906 | 2,040 | 29,436 |
| Amounts used in 2010/11 | -31 | -13,646 | -479 | -271 | -14,427 |
| Unused amounts reversed in 2010/11 | | | 0 | | 0 |
| Balance at 31 March 2011 | 271 | 8,554 | 18,048 | 3,519 | 30,392 |

2009/10

Short - term and long - term

| | Outstanding Legal Cases £'000 | Injury and Damage Compensation Claims £'000 | Employee Benefits £'000 | Other Provisions £'000 | Total £'000 |
|---------------------------------------|-------------------------------------|---|-------------------------------|------------------------------|----------------|
| Balance at 1 April 2009 | 198 | 10,788 | 3,373 | 1,639 | 15,998 |
| Additional provisions made in 2009/10 | 200 | 6,163 | 421 | 259 | 7,043 |
| Amounts used in 2009/10 | -132 | -7,204 | -174 | -148 | -7,658 |
| Unused amounts reversed in 2009/10 | 0 | 0 | 0 | 0 | 0 |
| Balance at 1 April 2010 | 266 | 9,747 | 3,620 | 1,750 | 15,383 |

NOTES TO THE ACCOUNTS

Outstanding Legal Cases

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

Injury and Damage Compensation Claims

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

Employee Benefits

This is in respect of the potential costs of settling all known equal pay compensation claims as they exist at the Balance Sheet date on the basis that pending the implementation of an equal pay compliant pay structure a significant element of the potential liability will be settled by way of compensation payment rather than as backpay.

Other Provisions

These amounts are to cover a variety of potential liabilities including land compensation claims following compulsory purchase, potential sums arising out of grant reclaims and obsolete stock.

2008/09

Short - term and long - term

| | Outstanding Legal Cases £'000 | Injury and Damage Compensation Claims £'000 | Employee Benefits £'000 | Other Provisions £'000 | Total £'000 |
|---------------------------------------|-------------------------------------|--|----------------------------|---------------------------|----------------|
| Balance at 1 April 2008 | 156 | 20,513 | 5,580 | 2,828 | 29,077 |
| Additional provisions made in 2008/09 | 60 | 6,435 | 84 | 190 | 6,769 |
| Amounts used in 2008/09 | -18 | -16,160 | -2,291 | -1,379 | -19,848 |
| Unused amounts reversed in 2008/09 | 0 | 0 | 0 | 0 | 0 |
| Balance at 1 April 2009 | 198 | 10,788 | 3,373 | 1,639 | 15,998 |

21. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 7 and 8.

NOTES TO THE ACCOUNTS

22. Unusable Reserves

| 1st April 2009 £'000 | 31st March 2010 £'000 | | 31st March 2011 £'000 |
|----------------------------|--------------------------------|--|-----------------------------|
| 59,681 | 87,617 | Revaluation Reserve | 109,991 |
| 543,438 | 530,024 | Capital Adjustment Account | 524,289 |
| -1,051 | -1,012 | Financial Instruments Adjustment Account | -1,053 |
| 0 | 7,622 | Deferred Capital Receipts Reserve | 0 |
| -444,849 | -587,379 | Pensions Reserve | -422,089 |
| -7,869 | -8,591 | Accumulated Absences Account | -8,418 |
| <u>149,350</u> | <u>28,281</u> | Total Unusable Reserves | <u>202,720</u> |

Revaluation Reserve

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

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

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

| 2009/10 £'000 | | 2010/11 £'000 |
|------------------|--|------------------|
| 59,681 | Balance at 1st April | 87,617 |
| | Upward revaluation of assets - | |
| 24,462 | Cost | 14,755 |
| 15,770 | Depreciation | 17,351 |
| | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | |
| -4,047 | Cost | -2,554 |
| 477 | Depreciation | 25 |
| | Surplus or deficit on revaluation of non- current assets not posted to the Surplus or Deficit on the Provision of Services | |
| <u>36,662</u> | | <u>29,577</u> |

NOTES TO THE ACCOUNTS

| 2009/10 | | 2010/11 |
|----------------|---|----------------|
| £'000 | | £'000 |
| | Difference between fair value depreciation and historical cost depreciation | -5,785 |
| -4,877 | Accumulated gains on assets sold or scrapped | -1,403 |
| -998 | Transfer of Investment Property | |
| -2,851 | Revaluation Reserve | -15 |
| | Amount written off to the Capital Adjustment Account | -7,203 |
| -8,726 | | |
| 87,617 | Balance at 31st March | 109,991 |

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

NOTES TO THE ACCOUNTS

| Restated 2009/10 £'000 | 2010/11 £'000 |
|--|--------------------------------|
| 543,438 Balance at 1st April | 530,024 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| Charges for depreciation and impairment of non-current assets | -73,029 |
| Charges for impairment of Assets Held for Sale | -569 |
| Revaluation losses on Property, Plant and Equipment | -4,738 |
| Amortisation of intangible assets | -456 |
| Revenue expenditure funded from capital under statute | -12,585 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | -4,923 |
| -74,014 | -96,300 |
| Adjusting amounts written out of the Revaluation Reserve | 7,203 |
| 8,726 | 7,203 |
| Net written out amount of the cost of non-current assets consumed in the year | -89,097 |
| Capital financing applied in the year: | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 5,258 |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 37,364 |
| Reversed depreciation grants | 0 |
| Statutory provision for the financing of the capital investment charged against the General Fund and HRA balances | 15,829 |
| Capital expenditure charged against the HRA and General Fund balances | 4,164 |
| 9,680 | 4,164 |
| 53,918 | 62,615 |

NOTES TO THE ACCOUNTS

| 2009/10 £'000 | 2010/11 £'000 |
|---|-----------------------|
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | 20,747 |
| -2,044 | <u>20,747</u> |
| <u>530,024</u> Balance at 31st March | <u>524,289</u> |

Financial Instruments Adjustment Account

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

| 2009/10 £'000 | 2010/11 £'000 |
|---|----------------------|
| -1,051 Balance at 1st April | -1,012 |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | -48 |
| <u>49</u> | <u>-48</u> |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 7 |
| -10 | <u>7</u> |
| <u>-1,012</u> Balance at 31st March | <u>-1,053</u> |

NOTES TO THE ACCOUNTS

Pensions Reserve

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

| 2009/10 | 2010/11 |
|---|-----------------|
| £'000 | £'000 |
| -444,849 Balance at 1st April | -587,379 |
| Actuarial gains or losses on pension assets | |
| -122,783 and liabilities | 66,100 |
| Reversal of items relating to retirement | |
| benefits debited or credited to the Surplus | |
| or Deficit on the Provision of Services in | |
| the Comprehensive Income and | |
| -51,300 Expenditure Statement | -47,960 |
| 0 Past service cost adjustment | 114,213 |
| Employer's pensions contributions and | |
| direct payments to pensioners payable in | |
| 31,553 the year | 32,937 |
| -587,379 Balance at 31st March | -422,089 |

The past service cost relates to the gain arising as a result of the change in the measure of pension increases in payment and in deferment from RPI to CPI following the governments announcement on 22 June 2010. The gain arises as a result of CPI increases being expected to be lower than RPI increases over the long term, and consequently the value of the benefits earned to date has been reduced.

NOTES TO THE ACCOUNTS

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|
| 0 Balance at 1st April | 7,622 |
| Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 |
| 7,622 | |
| Transfer to the Capital Receipts Reserve upon receipt of cash | -7622 |
| 7,622 Balance at 31st March | 0 |

Accumulated Absences Account

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

| 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|
| -7,869 Balance at 1st April | -8,591 |
| Settlement or cancellation of accrual made at the end of the preceding year | 8,591 |
| 7,869 | |
| Amounts accrued at the end of the current year | -8,418 |
| -8,591 | -8,418 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 173 |
| -722 | 173 |
| -8,591 Balance at 31st March | -8,418 |

NOTES TO THE ACCOUNTS

23. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2009/10 £'000 | 2010/11 £'000 |
|-------------------------|------------------|
| 2,476 Interest received | 2,488 |
| -19,229 Interest paid | -18,963 |
| -16,753 | -16,475 |

24. Cash Flow Statement - Investing Activities

| 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|
| -58,587 Purchase of property, plant and equipment, investment property and intangible assets | -59,117 |
| -447,416 Purchase of long and short term investments | -577,315 |
| 1,818 Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 12,185 |
| 479,051 Proceeds from short-term and long-term investments | 546,650 |
| 48,206 Other receipts from investing activities | 35,607 |
| 23,072 Net cash flows from investing activities | -41,990 |

25. Cash Flow Statement - Financing Activities

| 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|
| 4,676 Cash receipts of short and long-term borrowing | 2,781 |
| -10,078 Repayments of short and long-term borrowing | -8,759 |
| -5,402 Net cash flows from financing activities | -5,978 |

NOTES TO THE ACCOUNTS

26. Amounts Reported For Resource Allocation Decisions

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

The main differences are as follows:

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

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

| | Chief Executive £'000 | Executive Director £'000 | Director of Education £'000 | Director of Environment £'000 | Director of Regeneration & Housing £'000 | Director of Social Services £'000 | Total £'000 |
|---|-----------------------------|--------------------------------|-----------------------------------|-------------------------------------|---|--|-----------------|
| Directorate Income and Expenditure | | | | | | | |
| 2010/11 | | | | | | | |
| Employee expenses | 1,810 | 44,172 | 160,211 | 23,861 | 35,882 | 50,314 | 316,250 |
| Premises | 95 | 7,942 | 2,656 | 9,704 | 19,055 | 1,456 | 40,908 |
| Transport | 25 | 1,556 | 8,260 | 12,545 | 1,644 | 2,565 | 26,595 |
| Supplies & Services | 1,640 | 94,597 | 37,537 | 21,505 | 10,498 | 24,856 | 190,633 |
| Other Costs | -1,091 | 19,633 | 13,862 | -9,780 | 7,619 | 65,610 | 95,853 |
| Total Expenditure | 2,479 | 167,900 | 222,526 | 57,835 | 74,698 | 144,801 | 670,239 |
| Fees, charges & other service income | -107 | -37,745 | -26,550 | -13,922 | -58,883 | -20,832 | -158,039 |
| Government grants | -15 | -100,070 | -38,855 | -16,955 | -5,567 | -24,018 | -185,480 |
| Total Income | -122 | -137,815 | -65,405 | -30,877 | -64,450 | -44,850 | -343,519 |
| Net Expenditure | 2,357 | 30,085 | 157,121 | 26,958 | 10,248 | 99,951 | 326,720 |

NOTES TO THE ACCOUNTS

| | Chief Executive | Executive Director | Director of Education | Director of Environment | Director of Regeneration & Housing | Director of Social Services | Total |
|---|-----------------|--------------------|-----------------------|-------------------------|------------------------------------|-----------------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Directorate Income and Expenditure | | | | | | | |
| 2009/10 Comparative Figures | | | | | | | |
| Employee expenses | 1,855 | 42,125 | 157,851 | 24,098 | 36,683 | 49,370 | 311,982 |
| Premises | 63 | 7,992 | 6,239 | 8,762 | 20,169 | 1,544 | 44,769 |
| Transport | 28 | 1,628 | 8,262 | 11,591 | 1,580 | 4,172 | 27,261 |
| Supplies & Services | 1,479 | 89,101 | 34,963 | 22,709 | 10,736 | 22,426 | 181,414 |
| Other Costs | -662 | 18,654 | 11,409 | -7,481 | 7,847 | 56,002 | 85,769 |
| Total Expenditure | 2,763 | 159,500 | 218,724 | 59,679 | 77,015 | 133,514 | 651,195 |
| Fees, charges & other service income | -323 | -37,992 | -31,179 | -13,748 | -60,097 | -17,497 | -160,836 |
| Government grants | -50 | -94,771 | -29,414 | -15,630 | -3,124 | -20,095 | -163,084 |
| Total Income | -373 | -132,763 | -60,593 | -29,378 | -63,221 | -37,592 | -323,920 |
| Net Expenditure | 2,390 | 26,737 | 158,131 | 30,301 | 13,794 | 95,922 | 327,275 |

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

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

| | 2009/10 £'000 | 2010/11 £'000 |
|--|-----------------------|-----------------------|
| Net expenditure in the Directorate Analysis | 327,275 | 326,720 |
| Net expenditure of services and support services not included in the Analysis | 0 | 0 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 83,897 | 4,856 |
| | <u>411,172</u> | <u>331,576</u> |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | -27,223 | -27,667 |
| Cost of Services in Comprehensive Income and Expenditure | <u>383,949</u> | <u>303,909</u> |

NOTES TO THE ACCOUNTS

Reconciliation to Subjective Analysis

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

| | Directorate Analysis £'000 | Amounts not reported to management for decision making £'000 | Amounts not included in I & E £'000 | Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|--|----------------------------------|--|---|---------------------------|-------------------------------|-----------------|
| 2010/11 | | | | | | |
| Fees, charges & other service income | -158,039 | -36 | | -158,075 | -920 | -158,995 |
| Surplus or deficit on associates and joint ventures | | | | 0 | | 0 |
| Interest and investment income | | | | 0 | -885 | -885 |
| Income from council tax | | | | 0 | -97,544 | -97,544 |
| Government grants and contributions | -185,480 | | | -185,480 | -339,733 | -525,213 |
| Total Income | -343,519 | -36 | 0 | -343,555 | -439,082 | -782,637 |
| Employee expenses | 316,250 | 29,917 | -27,667 | 318,500 | | 318,500 |
| Premises | 40,908 | -21,126 | | 19,782 | | 19,782 |
| Transport | 26,595 | | | 26,595 | | 26,595 |
| Supplies & Services | 190,633 | | | 190,633 | | 190,633 |
| Other Costs | 95,853 | 16,426 | | 112,279 | 18,210 | 130,489 |
| Depreciation, amortisation and impairment | | 78,706 | | 78,706 | | 78,706 |
| Interest Payments | | | | 0 | 18,910 | 18,910 |
| Precepts & Levies | | | | 0 | 25,645 | 25,645 |
| Gain or Loss on Disposal of Non Current Assets | | | | 0 | 337 | 337 |
| Exceptional Item - RPI to CPI | | -114,723 | | -114,723 | | -114,723 |
| Total Expenditure | 670,239 | -10,800 | -27,667 | 631,772 | 63,102 | 694,874 |
| Surplus or Deficit on the Provision of Services | 326,720 | -10,836 | -27,667 | 288,217 | -375,980 | -87,763 |

NOTES TO THE ACCOUNTS

| | Directorate Analysis £'000 | Amounts not reported to management for decision making £'000 | Amounts not included in I & E £'000 | Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|--|----------------------------------|--|---|---------------------------|-------------------------------|-----------------|
| 2009/10 Comparative Figures | | | | | | |
| Fees, charges & other service income | -160,836 | | | -160,836 | | -160,836 |
| Surplus or deficit on associates and joint ventures | | | | 0 | | 0 |
| Interest and investment income | | | | 0 | -2,616 | -2,616 |
| Income from council tax | | | | 0 | -92,556 | -92,556 |
| Government grants and contributions | -163,084 | | | -163,084 | -322,194 | -485,278 |
| Total Income | -323,920 | 0 | 0 | -323,920 | -417,366 | -741,286 |
| Employee expenses | 311,982 | 16,652 | -27,223 | 301,411 | | 301,411 |
| Premises | 44,769 | -1,180 | | 43,589 | | 43,589 |
| Transport | 27,261 | | | 27,261 | | 27,261 |
| Supplies & Services | 181,414 | | | 181,414 | | 181,414 |
| Other Costs | 85,769 | 1,832 | | 87,601 | 31,057 | 118,658 |
| Depreciation, amortisation and impairment | | 62,920 | | 62,920 | | 62,920 |
| Interest Payments | | | | 0 | 19,169 | 19,169 |
| Precepts & Levies | | | | 0 | 24,922 | 24,922 |
| Gain or Loss on Disposal of Non Current Assets | | | | 0 | -4,706 | -4,706 |
| Total Expenditure | 651,195 | 80,224 | -27,223 | 704,196 | 70,442 | 774,638 |
| Surplus or Deficit on the Provision of Services | 327,275 | 80,224 | -27,223 | 380,276 | -346,924 | 33,352 |

NOTES TO THE ACCOUNTS

27. Trading Operations

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 Authority undertakes a number of activities which are defined as trading activities within the meaning of the Code.

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

2010/11

| | Turnover | Expenditure | Surplus/(Deficit) |
|---|-----------------|--------------------|--------------------------|
| | £'000 | £'000 | £'000 |
| Design & Print - in house design & print studio | 1,671 | 1,979 | -308 |
| Building & Property Services | 28,721 | 29,307 | -586 |
| Central Transport Unit | 9,576 | 9,291 | 285 |
| Catering - in house catering & school meals | 5,796 | 5,611 | 185 |
| Cleaning - in house cleaning of buildings | 3,767 | 3,808 | -41 |
| | <u>49,531</u> | <u>49,996</u> | <u>-465</u> |

2009/10

| | Turnover | Expenditure | Surplus/(Deficit) |
|---|-----------------|--------------------|--------------------------|
| | £'000 | £'000 | £'000 |
| Design & Print - in house design & print studio | 1,544 | 1,872 | -328 |
| Building & Property Services | 28,962 | 28,308 | 654 |
| Central Transport Unit | 8,876 | 9,237 | -361 |
| Catering - in house catering & school meals | 5,642 | 5,525 | 117 |
| Cleaning - in house cleaning of buildings | 3,816 | 3,813 | 3 |
| | <u>48,840</u> | <u>48,755</u> | <u>85</u> |

The Authority operates a design, print and photocopy service. The service is required to charge for the work undertaken, with the exception of some centralised photocopying activities for which it holds a budget. Its trading objective being to meet its net budget.

The Authority operates a Building Services function which includes housing and non housing repair, maintenance, design and technical advice and advice on the Operational Portfolio. The service is required to charge for the work undertaken. The trading objective being to meet its budgeted surplus.

NOTES TO THE ACCOUNTS

The Authority operates a Central Transport Unit which handles the procurement, management and maintenance of the majority of the Authority's vehicle fleet. Fleet users are charged for vehicle hire, maintenance and fuel, with charges based on the objective of recovering direct costs.

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

The Cleaning Service is responsible for the provision of cleaning services to all schools as set out in the above paragraph and most civic buildings in Swansea. The service is partly traded in the sense that it is expected to work within the net budget set and agreed by Council each year for the cost of the service.

28. Pooled Budgets

Community Equipment (Beds & mattresses)

The Authority has entered into a pooled budget arrangement with Abertawe Bro Morgannwg University Health Board for the provision of community equipment (beds & mattresses) for people living in the City and County of Swansea.

The Authority and Health Board have an agreement in place for funding this provision that is expected to finish during the summer of 2011 when a new more extensive agreement will be entered into.

The partners contribute to the estimated costs of the service provision in the ratio of City and County of Swansea : 29%, Health Board : 71% with minor adjustments to the funding of the actual final costs at year end.

The same proportions are used to meet any deficit at year end. Any surplus is either re-invested in the pool or allocated back to the partners depending on its magnitude and with the agreement of partners.

NOTES TO THE ACCOUNTS

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

| 2009/10 £'000 | | 2010/11 £'000 | |
|------------------|--|------------------|--|
| | Funding provided to the pooled budget | | |
| 42 | The Authority | 44 | |
| 102 | The Health Board | 109 | |
| <u>144</u> | | <u>153</u> | |
| | Net Expenditure met from the pooled budget | | |
| -2 | The Authority | 54 | |
| 146 | The Health Board | 99 | |
| <u>144</u> | | <u>153</u> | |
| <u>0</u> | Net Surplus / Deficit | <u>0</u> | |

CREATE

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

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

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

| 2009/10 £'000 | | 2010/11 £'000 | |
|------------------|--|------------------|--|
| | Funding provided to the pooled budget | | |
| 253 | The Authority | 249 | |
| 125 | The Health Board | 146 | |
| <u>378</u> | | <u>395</u> | |
| <u>311</u> | Net Expenditure met from the pooled budget | <u>264</u> | |
| <u>67</u> | Net Surplus / Deficit | <u>131</u> | |

29. Members' Allowances

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

| 2009/10 £'000 | | 2010/11 £'000 |
|------------------|--------------|------------------|
| 0 | Salaries | 0 |
| 1,322 | Allowances | 1,312 |
| 28 | Expenses | 26 |
| <u>1,350</u> | Total | <u>1,338</u> |

NOTES TO THE ACCOUNTS

30. 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:

| 2009/2010* | | 2010/11 |
|-------------------|---------------------|----------------|
| Number | Remuneration Band | Number |
| 24 | £60,000 - £64,999 | 30 |
| 7 | £65,000 - £69,999 | 6 |
| 8 | £70,000 - £74,999 | 10 |
| 7 | £75,000 - £79,999 | 5 |
| 1 | £80,000 - £84,999 | 0 |
| 1 | £85,000 - £89,999 | 1 |
| 3 | £90,000 - £94,999 | 2 |
| 1 | £95,000 - £99,999 | 0 |
| 0 | £100,000 - £104,999 | 1 |
| 0 | £105,000 - £109,999 | 1 |
| <u>52</u> | <u>Total</u> | <u>56</u> |

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

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

| | 2009/10 | 2010/11 |
|--|-----------------------|-----------------------|
| | (£) | (£) |
| Salary | 155,901 | 163,077 |
| Bonuses | 0 | 0 |
| Expense Allowances | 159 | 159 |
| Total remuneration excluding pension contributions | <u>156,060</u> | <u>163,236</u> |
| Employers pension contributions | 31,336 | 31,960 |
| Total remuneration including pension contributions | <u>187,396</u> | <u>195,196</u> |

NOTES TO THE ACCOUNTS

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

Table 1 - 2010/11

| Post title | Remuneration (including Fees & Allowances) £ | Expense Allowances £ | Compensation for loss of office £ | Total remuneration excluding pension contributions £ | Pension contributions (20.5%) £ | Total remuneration including pension contributions £ |
|---|--|----------------------------|--|---|--|---|
| Executive Director | 120,000 | | | 120,000 | 24,600 | 144,600 |
| Corporate Director (Regeneration & Housing) | 110,000 | 119 | | 110,119 | 22,550 | 132,669 |
| Corporate Director (Environment) | 107,500 | 159 | | 107,659 | 22,038 | 129,697 |
| Corporate Director (Education) | 102,500 | 159 | | 102,659 | 21,013 | 123,672 |
| Corporate Director (Social Services) | 100,000 | | | 100,000 | 20,500 | 120,500 |
| Interim Head of Legal | 70,030 | | | 70,030 | 14,356 | 84,386 |
| Head of Culture and Tourism | 77,500 | 159 | | 77,659 | 15,888 | 93,547 |
| Head of Finance | 77,500 | 159 | | 77,659 | 15,888 | 93,547 |
| Head of Corporate Building Services | 77,500 | 159 | | 77,659 | 15,888 | 93,547 |
| Head of Education Effectiveness | 75,000 | | | 75,000 | 15,375 | 90,375 |
| Head of Education Inclusion | 75,000 | 159 | | 75,159 | 15,375 | 90,534 |
| Head of Information and Customer Services | 72,033 | 159 | | 72,192 | 14,767 | 86,959 |
| Head of Projects and Performance | 71,073 | 159 | | 71,232 | 14,570 | 85,802 |
| Head of Child and Family | 72,500 | | | 72,500 | 14,862 | 87,362 |
| Head of Education Planning and Resources | 70,000 | 159 | | 70,159 | 14,350 | 84,509 |
| Head of Street Scene | 70,000 | | | 70,000 | 14,350 | 84,350 |
| Head of Public Protection | 75,000 | 159 | | 75,159 | 15,375 | 90,534 |
| Head of Transportation | 70,000 | | | 70,000 | 14,350 | 84,350 |
| Balance c/f | 1,493,136 | 1,709 | 0 | 1,494,845 | 306,095 | 1,800,940 |

NOTES TO THE ACCOUNTS

Table 1 - 2010/11 continued

| Post title | Remuneration (including Fees & Allowances) £ | * Expense Allowances £ | Compensation for loss of office £ | Total remuneration excluding pension contributions £ | Pension contributions (20.5%) £ | Total remuneration including pension contributions £ |
|---|--|------------------------------|--|---|--|---|
| Balance b/f | 1,493,136 | 1,709 | 0 | 1,494,845 | 306,095 | 1,800,940 |
| Head of Housing and Community Regeneration | 72,500 | 159 | | 72,659 | 14,863 | 87,522 |
| Head of Adult Services | 67,500 | 0 | | 67,500 | 13,838 | 81,338 |
| Head of Economic Regeneration | 69,167 | 159 | | 69,326 | 14,179 | 83,505 |
| Head of Marketing Communication | 60,000 | 159 | | 60,159 | 12,300 | 72,459 |
| Head of Planning | 24,167 | 53 | 80,989 | 105,209 | 4,954 | 110,163 |
| Head of Environmental Protection | 36,250 | 80 | 63,185 | 99,515 | 7,555 | 107,070 |
| Head of Swansea Futures | 60,000 | | 26,751 | 86,751 | 12,300 | 99,051 |
| Total | 1,882,720 | 2,319 | 170,925 | 2,055,964 | 386,084 | 2,442,048 |

* The expense allowance represents an allowance for telephone costs.

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

NOTES TO THE ACCOUNTS

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

Table 2 - 2009/10

| Post title | Remuneration (including Fees & Allowances) £ | Expense Allowances £ | Compensation for loss of office £ | 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 |
| Acting 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 Effectiveness | 72,500 | | | 72,500 | 14,573 | 87,073 |
| 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 | | | 70,671 | 14,070 | 84,741 |
| 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 | | | 69,000 | 13,869 | 82,869 |
| Balance c/f | 1,664,164 | 2,544 | 0 | 1,666,708 | 323,533 | 1,990,241 |

NOTES TO THE ACCOUNTS

Table 2 - 2009/10 continued

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

* 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.

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

NOTES TO THE ACCOUNTS

31. External Audit Costs

In 2010/11 the City & County of Swansea Council incurred the following fees relating to external audit and inspection:

| 2009/10 | | 2010/11 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 392 | Fees payable to the Wales Audit Office/ PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor | 244 |
| 85 | Fees payable to the Wales Audit Office in respect of statutory inspection | 219 |
| 116 | Fees payable to Wales Audit Office/PricewaterhouseCoopers LLP for the certification of grant claims and returns | 114 |
| 0 | Fees payable in respect of other services provided by the WAO or PWC | 63 |

32. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2009/10 and 2010/11:

| 2009/10 | | 2010/11 |
|----------------|---|----------------|
| £'000 | | £'000 |
| | Credited to Taxation and Non Specific Grant Income | |
| 92,556 | Council Tax Income | 97,544 |
| 62,571 | Non Domestic Rates | 65,411 |
| 231,359 | Revenue Support Grant | 236,517 |
| 2,832 | School Building Improvement Grant | 2,787 |
| 6,261 | Regional Transport Programme Grant | 4,347 |
| 1,219 | Swansea Bus Station | |
| 9,100 | Housing MRA Grant | 9,100 |
| 1,000 | Housing Arbed Grant | 1,200 |
| 0 | General Capital Grant | 282 |
| 0 | WEFO Convergence Grant | 3,305 |
| 0 | Strategic Regeneration Area Grant | 2,958 |
| 0 | Arts Council Grant | 3,500 |
| 7,852 | Other Grants and Contributions | 1,980 |
| 414,750 | | 428,931 |

NOTES TO THE ACCOUNTS

| 2009/10 | | 2010/11 |
|----------------|--|----------------|
| £'000 | | £'000 |
| | Credited to Services | |
| 1,553 | Better schools fund | 1,053 |
| 1,719 | Mental handicapped strategy | 1,734 |
| 40,620 | Rent allowance subsidy | 45,709 |
| 31,036 | Rent rebate subsidy | 31,816 |
| 17,071 | Council tax benefit | 18,316 |
| 1,889 | Cymorth - Social Services | 1,609 |
| 0 | Future Jobs Fund DWP | 5,915 |
| 0 | South West Workways | 1,059 |
| 4,108 | Cymorth - Education | 3,473 |
| 1,058 | Learning Pathways | 1,075 |
| 12,134 | Supporting people | 12,275 |
| 7,479 | Department for Children, Education, Lifelong Learning and Skills | 7,532 |
| 2,347 | Outcome agreement grant | 1,742 |
| 1,027 | COASTAL | 3,409 |
| 4,169 | Sustainable Waste Management | 5,181 |
| 2,452 | Housing Benefit Administration | 2,231 |
| 5,510 | Concessionary fares | 5,534 |
| 5,398 | Training and Enterprise Council Contract | 4,576 |
| 1,517 | Ethnic Minority Achievement Grant | 1,493 |
| 2,178 | Substance Misuse Action Team | 1,895 |
| 4,050 | Foundation Phase | 5,494 |
| 1,980 | Flying Start | 2,400 |
| 1,281 | RAISE | 0 |
| 3,671 | General Capital Grant | 3,668 |
| 1,800 | Hafod Renewal Area Grant | 1,600 |
| 141 | Regional Transport Programme Grant | 119 |
| 0 | WEFO Convergence Grant | 63 |
| 0 | Strategic Regeneration Area Grant | 719 |
| 0 | Targeted Match Funding | 1,770 |
| 0 | School Building Improvement Grant | 161 |
| 24,267 | Other Grants | 20,204 |
| 180,455 | | 193,825 |

NOTES TO THE ACCOUNTS

33. Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority.

a) Central Government

The Authority receives significant funding from the Welsh Government. Details of the sums received in respect of Revenue Support Grant and redistributed Non Domestic Rates are shown in the Comprehensive Income and Expenditure Statement, with details of other grant income being shown in note 32 to the Accounts.

b) Charitable and Voluntary Bodies

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

c) Other Bodies

The Authority 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

Swansea Bay Port Health Authority

University of Wales Swansea – Court of Governors

University of Wales Swansea - Council

Welsh Joint Education Committee

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

NOTES TO THE ACCOUNTS

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

Levies / Contributions paid to the two bodies were:-

| | |
|-------------------------------------|----------|
| Mid and West Wales Fire Authority:- | £11.451m |
| Swansea Bay Port Health Authority:- | £0.10m |

The Authority is responsible for the collection of Council Taxes on behalf of the South Wales Police Authority. The total collected and paid over to the South Wales Police Authority for 2010/11 was £13.293m (2009/10 £12.546m).

d) Subsidiary and Associated Companies

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

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

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

The value of the Authority's investment in the company as at 31st March 2011 remains at £0m.

The nature of the Company's activities is such that net worth (and hence the value of the Authority's shareholding) will diminish substantially over time, due to the commercial value of the landfill site diminishing as its capacity to accept waste comes to an end. As at 31st March 2011 the net worth of the Company was -£6.860m (31st March 2010 -£8.587m).

Purchases from, and charges made to the Company in 2010/11 amounted to £8.314m (2009/10 £9.623m). Rent, rates and royalties receivable total £199k (2009/10 £98k). Sales of £959k (2009/10 £691k) were made to the Company.

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

NOTES TO THE ACCOUNTS

The National Waterfront Museum Swansea

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

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

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

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

Income for the company for 2010/11 amounted to £0.005m (2009/10 £0.007m) with expenditure for the year totalling £0.239m (2009/10 £0.221m).

The outstanding debtors and creditors at 31st March 2011 were £2,115 and £5,236 (2010 £750 and £5,736).

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

The Wales National Pool (Swansea)

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

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

NOTES TO THE ACCOUNTS

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

| 2009/10 | | 2010/11 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 375 | Funding provided by the Authority towards operating costs of the pool | 347 |
| 102 | Sum paid for the free use of the pool by schools and other bodies | 90 |
| -749 | Recharges of wages, salaries and other costs to the Company | -735 |

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 Authority in the group accounts.

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

The outstanding debtors and creditors at 31st March 2011 were £259 and £0 (2010 £1,097 and £0).

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

Swansea Stadium Management Company Limited (SSMC)

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

The Council incurred £361k of expenditure with the Swansea Stadium Management Company in 2010/11.

NOTES TO THE ACCOUNTS

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 Authority from contributing to any past or future losses of the Company.

On the basis that the Company has been loss making during 2009/10 and 2010/11 the company's results have not been consolidated into the Group Accounts.

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

Swansea Bay Futures Limited

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

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

NOTES TO THE ACCOUNTS

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

| 2009/10 | | 2010/11 |
|---------|--------------------------|---------|
| £'000 | | £'000 |
| 8 | Grant payment | 8 |
| 1 | Retained balance 2006/07 | 0 |
| 10 | Premier partner fees | 10 |
| 19 | | 18 |

There were no outstanding debtors and creditors at 31st March 2011 and 31st March 2010. Accounts for the company can be obtained from Swansea Bay Futures Limited, Llys Tawe, Kings Road, Swansea. SA1 8PG

Bay Leisure Limited

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

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

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

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

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

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

Funding set aside in the Authority's revenue budget for 2010/11 amounts to £1.2m (2009/10 £1.3m) which reflects both the management fee payable to the company and a contribution to the future major repairs fund.

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

NOTES TO THE ACCOUNTS

Swansea City Development Company Limited

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 Authority. The Authority does not hold any comparable debtor.

Following investigation the Authority has determined that there has been no loss incurred by the Authority in its dealings with the Company and it has been recommended to the Board of Directors that they should apply for the Company to be voluntarily struck off the Register of Companies maintained by Companies House.

e) Other Organisations

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

During 2010/11 invoices totalling £51,563 (2009/10 £70,217) were paid by the Authority on behalf of recipients of Housing Improvement Grants to a partnership 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 partnership was properly recorded in the Register of members interests which is available from the Authority's Head of Legal Services.

NOTES TO THE ACCOUNTS

34. Capital Expenditure and Capital Financing

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

| 2009/10 £'000 | 2010/11 £'000 |
|---|------------------|
| 380,558 | 379,763 |
| Opening Capital Financing Requirement | |
| Capital investment | |
| 46,631 | 57,583 |
| Property, Plant and Equipment | |
| 3,845 | 49 |
| Investment Properties | |
| 56 | 628 |
| Intangible Assets | |
| 9,188 | 12,585 |
| Revenue Expenditure Funded from Capital under Statute | |
| Sources of finance | |
| -3,641 | -4,704 |
| Capital receipts | |
| -31,105 | -37,364 |
| Government grants and other contributions | |
| -1,105 | -546 |
| Other additions / omissions relating to prior years | |
| Sums set aside from revenue: | |
| -9,680 | -4,164 |
| Direct revenue contributions | |
| -14,984 | -15,829 |
| MRP/loans fund principal | |
| 379,763 | 388,001 |
| Closing Capital Financing Requirement | |
| Explanation of movements in year | |
| Increase in underlying need to borrowing (supported by | |
| -818 | 7,319 |
| government financial assistance) | |
| Increase in underlying need to borrowing (unsupported by | |
| 23 | -661 |
| government financial assistance) | |
| 0 | 1,580 |
| Assets acquired under finance leases | |
| -795 | 8,238 |
| Increase/(decrease) in Capital Financing Requirement | |

NOTES TO THE ACCOUNTS

35. Authority as Lessee

Finance Leases

Following the implementation of IFRS, it has been deemed that operating leases are to be reclassified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Authority. All other leases continue to be classified as operating leases.

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

| | 31 March 2011 | 31 March 2010 |
|--|----------------------|----------------------|
| | £'000 | £'000 |
| Vehicles, Plant, Furniture and Equipment | 2,422 | 1,697 |

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

| | 31 March 2011 | 31 March 2010 |
|---|----------------------|----------------------|
| | £'000 | £'000 |
| Finance lease liabilities (net present value of minimum lease payments) : | | |
| - current | 950 | 721 |
| - non-current | 985 | 367 |
| Finance costs payable in future years | 36 | 53 |
| Minimum lease payments | 1,971 | 1,141 |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|-------------------------------|----------------------|----------------------------------|----------------------|
| | 31 March 2011 | 31 March 2010 | 31 March 2011 | 31 March 2010 |
| | £'000 | £'000 | £'000 | £'000 |
| Not later than one year | 963 | 740 | 950 | 721 |
| Later than one year and not later than five years | 1,008 | 401 | 985 | 367 |
| | 1,971 | 1,141 | 1,935 | 1,088 |

NOTES TO THE ACCOUNTS

Operating Leases

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

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

| | 31 March 2011 £'000 | 31 March 2010 £'000 |
|---|------------------------------------|------------------------------------|
| Not later than one year | 100 | 83 |
| Later than one year and not later than five years | 55 | 91 |
| Later than five years | 12 | 16 |
| | <u>167</u> | <u>190</u> |

The operating lease charge for the year was £190,639.37 (2009/10 £120,539.83).

36. Impairment Losses

During 2010/11 the Authority has recognised impairment charges of £22.640m within the Comprehensive Income and Expenditure Statement. Of this, £2.716m was for specific events and £19.924m was attributable to non enhancing capital expenditure.

The non enhancing capital expenditure was split between many schemes, some of which applied to individual assets and some to asset groups. In 2010/11 the majority of the charge was for improvements to the Authority's Council Dwellings. This resulted in a charge of £12.119m to the Housing Revenue Account.

The impairment charge attributable to specific events includes a charge of £2.225m to Culture, Environment and Planning Services as a result of planning restrictions being applied to two sites at Landore (£1.823m), an impairment review of Morrison Activity Centre (£0.302m) and site constraints being applied to land at Llwyn Mawr Road, Sketty (£0.100m). Also included was a charge of £0.568m made to Non Distributable Costs being largely due to the closures of Llanmorlais Primary School and Earlsmoor Home For the Aged.

NOTES TO THE ACCOUNTS

37. Termination Benefits

During 2010/11 the Authority incurred significant expenditure in terms of redundancy costs paid to leavers together with costs incurred in compensation payments to the Local Government Pension Fund in respect of early access pension costs.

In particular on 18th November 2010, in order to meet significant budget savings required for the financial year 2011/12 and onwards, the Cabinet authorised officers to seek expressions of interest for voluntary redundancy and/or early retirement from within selected employee groups of the Authority in accordance with the Authority's agreed ER/VR policy.

Costs were incurred relating to redundancy payments, early access to pension costs and long service awards totalling £3.713m (2009/10 £0.760m) for the year.

These costs include provision for costs for a limited number of employees whose service will be terminated in 2011/12 but who had been offered - and accepted - severance terms as at 31st March 2011.

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

The above costs include both teaching and non teaching staff.

38. Pension Schemes Accounted For As Defined Contribution Schemes

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

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

In 2010/11 the Authority paid £10.52m to Teachers' Pensions in respect of teachers retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £10.71m and 14.1%. There were no contributions remaining payable at the year end.

NOTES TO THE ACCOUNTS

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in two post employment schemes:

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

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

Transactions Relating to Post-Employment Benefits

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

NOTES TO THE ACCOUNTS

| | Local Government Pension Scheme | | Discretionary Benefits Arrangements | |
|---|---------------------------------|--------------|-------------------------------------|-------------|
| | 2010/11 | 2009/10 | 2010/11 | 2009/10 |
| | £m | £m | £m | £m |
| Comprehensive Income and Expenditure Statement | | | | |
| Cost of Services: | | | | |
| - current service cost | 28.39 | 20.26 | 0.00 | 0.00 |
| - past service costs | -109.14 | 0.00 | -5.56 | 0.00 |
| - settlements and curtailments | 0.00 | 0.00 | 0.00 | 0.00 |
| Financing and Investment Income and Expenditure | | | | |
| - interest cost | 55.61 | 52.05 | 3.34 | 3.87 |
| - expected return on scheme assets | -40.74 | -24.88 | | |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | -65.88 | 47.43 | -2.22 | 3.87 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | | | |
| - actuarial gains and losses | -63.39 | 116.16 | -1.96 | 6.63 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | | | |
| Movement in Reserves Statement | | | | |
| - reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | | -47.43 | | -3.87 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | 0.00 | | 0.00 |
| - employers' contributions payable to scheme | 27.69 | 27.23 | | 0.00 |
| - retirement benefits payable to pensioners | | | 4.26 | 4.33 |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £120.56m. (£185.92m 2009/10)

NOTES TO THE ACCOUNTS

Assets and Liabilities in Relation to Post-Employment Benefits

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

| | Funded liabilities: | | Unfunded liabilities: | |
|--------------------------------------|--|-----------------|-------------------------------|----------------|
| | Local Government Pension Scheme | | Discretionary Benefits | |
| | 2010/11 | 2009/10 | 2010/11 | 2009/10 |
| | £m | £m | £m | £m |
| Opening balance at 1st April | 1,087.65 | 784.72 | 66.94 | 60.77 |
| Current service cost | 28.39 | 20.26 | 0.00 | 0.00 |
| Interest cost | 55.61 | 52.05 | 3.34 | 3.87 |
| Contributions by scheme participants | 8.62 | 8.59 | 0.00 | 0.00 |
| Actuarial gains and losses | -78.62 | 243.03 | -1.96 | 6.63 |
| Benefits paid | -22.34 | -21.00 | -4.26 | -4.33 |
| Past service costs | -109.14 | 0.00 | -5.56 | 0.00 |
| Closing balance at 31st March | <u>970.17</u> | <u>1,087.65</u> | <u>58.50</u> | <u>66.94</u> |

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

| | Local Government Pension Scheme | |
|--------------------------------------|--|----------------|
| | 2010/11 | 2009/10 |
| | £m | £m |
| Opening balance at 1st April | <u>588.49</u> | <u>421.92</u> |
| Expected rate of return | 40.74 | 24.88 |
| Actuarial gains and losses | -15.23 | 126.87 |
| Employer contributions | 27.69 | 27.23 |
| Contributions by scheme participants | 8.62 | 8.59 |
| Benefits paid | -22.34 | -21.00 |
| Closing balance at 31st March | <u>627.97</u> | <u>588.49</u> |

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

NOTES TO THE ACCOUNTS

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

The actual return on scheme assets in the year was £25.51m (2009/10: £151.75m).

Scheme History

| | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
|--|-------------|-------------|-------------|-------------|-------------|
| | £m | £m | £m | £m | £m |
| Present value of liabilities: | | | | | |
| Local Government Pension Scheme | -781 | -711 | -785 | -1,088 | -970 |
| Discretionary Benefits | -65 | -24 | -24 | -26 | -23 |
| Enhanced Teachers Unfunded Benefits | | -38 | -37 | -62 | -57 |
| Fair value of assets in the Local Government Pension Scheme | 498 | 487 | 422 | 588 | 628 |
| Surplus/(deficit) in the scheme: | | | | | |
| Local Government Pension Scheme | -283 | -224 | -363 | -499 | -342 |
| Discretionary Benefits | -65 | -24 | -24 | -26 | -23 |
| Enhanced Teachers Unfunded Benefits | | -38 | -37 | -62 | -57 |
| Total | -348 | -287 | -424 | -587 | -422 |

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,028.67m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £400.7m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 is £29.13m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £4.45m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by AON Hewitt Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31st March 2007.

NOTES TO THE ACCOUNTS

The principal assumptions used by the Actuary have been:

| | Local Government Pension Scheme | | Discretionary Benefits | |
|--|--|----------------|-----------------------------------|----------------|
| | 2010/11 | 2009/10 | 2010/11 | 2009/10 |
| Long-term expected rate of return on assets in the scheme: | | | | |
| Equity investments | 8.4 | 8.0 | | |
| Government Bonds | 4.4 | 4.5 | | |
| Corporate Bonds | 5.1 | 5.5 | | |
| Other | 8.4 | 8.0 | | |
| Cash | 1.5 | 0.7 | | |
| Mortality assumptions | | | | |
| Longevity at 65 for current pensioners: (years) | | | | |
| - Men | 21.5 | 21.6 | 21.5 | 21.6 |
| - Women | 23.7 | 23.6 | 23.7 | 23.6 |
| Longevity at 65 for future pensioners:(years) | | | | |
| - Men | 23.3 | 23.9 | | 23.9 |
| - Women | 25.6 | 25.8 | | 25.8 |
| Rate of inflation - CPI % | 2.8 | | 2.8 | |
| Rate of inflation - RPI % | 3.7 | 3.9 | 3.6 | 3.8 |
| Rate of increase in salaries % | 5.2 | 5.4 | | |
| Rate of increase in pensions % | 2.8 | 3.9 | 2.7 | 3.8 |
| Rate for discounting scheme liabilities % | 5.4 | 5.5 | 5.5 | 5.5 |
| Take-up of option to convert annual pension into retirement lump sum | 50% | 50% | | |

NOTES TO THE ACCOUNTS

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

| | 31st March 2011 | 31st March 2010 |
|--------------------|--------------------------------|--------------------------------|
| | % | % |
| Equity investments | 70 | 69 |
| Government Bonds | 14 | 13 |
| Corporate Bonds | 2 | 1 |
| Other assets | 14 | 17 |
| | 100 | 100 |

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

| | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
|--|----------------|----------------|----------------|----------------|----------------|
| | % | % | % | % | % |
| Differences between the expected and actual return on assets | -0.4 | -12 | -26.8 | 21.6 | -2.4 |
| Experience gains and losses on liabilities - LGPS | -0.3 | | -0.4 | 0.8 | 5.2 |
| Experience gains and losses on liabilities - Discretionary | | -0.7 | 2.3 | 4.2 | 0.8 |
| Experience gains and losses on liabilities - Enhanced Teachers | | | | | |
| Unfunded Benefits | | -0.7 | 4.9 | 3.5 | 0.8 |

NOTES TO THE ACCOUNTS

40. Contingent Liabilities

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

| Nature of Liability | Potential Financial Effect £'000 | Comment | Timing |
|------------------------------------|---|--|---------------|
| Personal Social Services | Unknown | Relates to potential abuse claims relating to children cared for in previous authorities. Recent legislation has extended the period in which claims can be made beyond the initial period of six years during which a persons life could be said to be affected by abuse and, as such, the potential for such claims is greater than in the past. The Authority is not currently aware of any major claims. | Unknown |
| Infrastructure and retaining walls | Unknown | There are potential claims regarding infrastructure and retaining walls which may be taken against the Authority - such claims will be rigorously defended through the Authority's insurers and any successful claims will be met from future capital or revenue funding. | Unknown |
| 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 Authority's insurers are currently indemnifying the Authority 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 Authority to have to meet the whole cost of such claims.</p> | Unknown |

NOTES TO THE ACCOUNTS

| Nature of Liability | Potential Financial Effect £'000 | Comment | Timing |
|----------------------------------|-------------------------------------|---|---------|
| Financial Guarantees | Unknown | <p>The Authority has in place funding agreements in respect of operating losses/management fees with regard to the following operational companies:-</p> <ul style="list-style-type: none"> - Bay Leisure Limited (Leisure centre) - Wales National Pool Swansea. <p>To date any contributions made to these companies have fallen within the annual revenue budget provision.</p> <p>With respect to Bay Leisure Limited (Swansea Leisure Centre) there is an obligation to consider annual funding requests but no contractual liability to fund deficits.</p> <p>In both instances the Authority makes what it considers to be a reasonable annual budget provision to meet its obligations based on business plans from both organisations and past funding experience, and, as such, any further liability would be limited to sums in excess of the normal budget provision.</p> | Unknown |
| Equal pay and Equal Value claims | Unknown | <p>During 2008/2009 and 2009/10, in common with many other local authorities, the Authority made payments to certain staff in full settlement of potential equal pay claims. In respect of known future liabilities the Authority has made what it considers to be adequate revenue provision within the Accounts to cater for the estimated value of such liabilities.</p> <p>There is a potential for further (as yet unknown) claims in respect of equal pay claims and in respect of equal value claims which are not provided for in these accounts.</p> | 2012/13 |
| Job Evaluation | Unknown | <p>The Authority is currently undertaking a pay and grading review designed primarily to comply with equal pay legislation. The Authority believes it has made reasonable provision through the creation of earmarked reserves to meet any costs arising from this exercise.</p> | 2012/13 |

NOTES TO THE ACCOUNTS

41. Contingent Assets

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

| <u>Nature of Contingent asset</u> | <u>Potential financial effect £'000</u> | <u>Comment</u> | <u>Timing</u> |
|---|---|--|---------------|
| HMRC Trade Waste | 2,500 | This relates to an ongoing claim against HMRC in respect of output tax declared on trade Waste Claims over a number of years. Responses from HMRC seem to accept the claim but are dependant on a view around unjust enrichment. | 2011/12 |
| HMRC car parking | 6,000 | This relates to an ongoing claim against HMRC in respect of output tax declared on off street car park income. The outcome is dependant on a current lead case (Isle of Wight) due to be decided in October 2011. | 2011/12 |
| HMRC Compound Interest | Not known but in excess of £1m | The Authority has submitted a claim relating to previously settled 'Fleming' claims which were subject to simple interest. It is the Authority's contention that interest should have been accrued on a compound basis. | 2012/13 |
| HMRC Fleming claims | 0.905 | The original claim to HMRC in respect of Trade Waste was rejected on competition grounds. This argument has now been accepted as incorrect by HMRC and the Authority is waiting for a response to its initial claim. | 2011/12 |

42. Nature And Extent Of Risks Arising From Financial Instruments

The information regarding the nature and risks arising from financial instruments is disclosed within disclosure note 15 (Financial Instruments).

NOTES TO THE ACCOUNTS

43. Council Tax

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

The Council Tax base is the number of properties in each band adjusted by a multiplier to convert the number to band 'D' equivalent and adjusted for discounts. The base was 86,504 in 2010/2011 (85,727 in 2009/2010).

The basic amount for a band 'D' property is £1,112.00 (£1,064.73 for 2009/10) 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 2009/10) 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 | 16 | 8,759 | 17,883 | 17,442 | 13,303 | 12,938 | 9,973 | 5,538 | 1,966 | 904 |

Analysis of the net proceeds from Council Tax:

| 2009/10 | 2010/11 |
|--|----------------|
| £'000 | £'000 |
| 93,748 Council tax collectable | 98,405 |
| -1,192 Less:- Provision for non payment of Council tax | -861 |
| 92,556 | 97,544 |
| Net proceeds from Council Tax | |

NOTES TO THE ACCOUNTS

Application of Council Tax proceeds:

| 2009/10 | 2010/11 |
|--|----------------------|
| £'000 | £'000 |
| 91,276 City & County of Swansea precept | 96,192 |
| <u>708</u> Community Council precept | <u>801</u> |
| 91,984 Council Tax requirement | 96,993 |
| 572 Transfer to reserves | 551 |
| <u><u>92,556</u></u> Net application of proceeds | <u><u>97,544</u></u> |

44. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount of the rate per pound of rateable value which for 2010/11 was 0.409p (0.489p in 2009/10) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR Pool administered by the Welsh Government. The Welsh Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £61.357m for 2010/11 (£62.687m for 2009/10) was based on a rateable value at year end of £196,994m (£163.204m 2009/10).

The £61.357m represents the NNDR income collected by the Council and paid into the NNDR Pool that is administered by the Welsh Government. The £65.411m disclosed on the face of the Comprehensive Income and Expenditure Statement is the receipt the Council received back from the Welsh Government.

NOTES TO THE ACCOUNTS

Analysis of the proceeds from non domestic rates:

| 2009/10 | | 2010/11 |
|----------------------|--|----------------------|
| £'000 | | £'000 |
| 64,887 | Non – domestic rates due | 63,557 |
| -283 | Council fund contribution to rate relief | -285 |
| <u>64,604</u> | | <u>63,272</u> |
| -415 | Less: cost of collection | -445 |
| -1,202 | Provision for bad debts | -1,224 |
| -300 | Interest due on overpayments | -246 |
| <u>62,687</u> | NNDR due to pool | <u>61,357</u> |
| <u><u>62,571</u></u> | Net receipt from pool | <u><u>65,411</u></u> |

45. 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.

NOTES TO THE ACCOUNTS

The principal funds are:

| | Income For year | Expenditure For year | Assets 31/03/2011 | Liabilities 31/03/2011 |
|---|--------------------|-------------------------|----------------------|---------------------------|
| | £ | £ | £ | £ |
| 2010/11 | | | | |
| Welsh Church Acts – various charitable schemes | 35,001 | 34,343 | 1,036,970 | 98,084 |
| Swansea Children's Relief in Need | 26,806 | 18,865 | 779,114 | 0 |
| Swansea Further Education Trust | 3,575 | 7,541 | 140,816 | 0 |
| Swansea Foundation – education | 3,085 | 9,721 | 257,390 | 0 |
| Lord Mayors Fund – various charitable schemes | 45,913 | 10,791 | 58,836 | 0 |
| Other capital trust funds | 1,769 | 360 | 174,980 | 0 |
| Other trust funds - various charitable schemes | 28,989 | 26,302 | 163,281 | 300 |
| Swansea Workshops for the Blind | 728 | 728 | 651,952 | 0 |
| Vision Impaired West Glamorgan (Previously known as West Glamorgan Blind Welfare Association) | 1,780 | 15,088 | 12,210 | 0 |
| Total | 147,646 | 123,739 | 3,275,549 | 98,384 |

The principal funds are:

| | Income For year | Expenditure For year | Assets 31/03/2010 | Liabilities 31/03/2010 |
|---|--------------------|-------------------------|----------------------|---------------------------|
| | £ | £ | £ | £ |
| 2009/10 | | | | |
| 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 | 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 |
| Vision Impaired West Glamorgan (Previously known as West Glamorgan Blind Welfare Association) | 1,080 | 666 | 28,733 | 0 |
| Total | 274,641 | 320,561 | 3,309,329 | 110,981 |

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 Comprehensive Income and Expenditure Statement.

NOTES TO THE ACCOUNTS

46. Jointly Controlled Operations

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

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

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

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
- South West Wales Integrated Transport Consortium (SWWITCH)
- Casualty Reduction Partnership
- Safer Swansea Community Safety Partnership
- Joint Resilience Unit - Swansea & Neath Port Talbot
- Local Resilience Forum - LHB, LA's, Env Agency & Fire Service

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

| <u>SWAMWAC</u> | <u>2010/11</u> | | <u>2009/10</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> |
| <u>Comprehensive Income and Expenditure Statement</u> | | | | |
| Expenditure | 878 | 55 | 3,106 | 125 |
| Income | -878 | -55 | -3,106 | -125 |
| (Surplus) / Deficit of the year | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

NOTES TO THE ACCOUNTS

Balance Sheet

| | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|
| Current Assets | | | | |
| Current Liabilities | -817 | -113 | -697 | -134 |
| Total Assets less Liabilities | <u>-817</u> | <u>-113</u> | <u>-697</u> | <u>-134</u> |
| Reserves | 817 | 113 | 697 | 134 |
| Total Financing | <u>817</u> | <u>113</u> | <u>697</u> | <u>134</u> |

Joint Childcare Legal Arrangements

| | <u>2010/11</u> | | <u>2009/10</u> | |
|---|----------------|------------------|----------------|------------------|
| | <u>Total</u> | <u>CCS Share</u> | <u>Total</u> | <u>CCS Share</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| <u>Comprehensive Income and Expenditure Statement</u> | | | | |
| Expenditure | 2,839 | 1429 | 2,407 | 952 |
| Income | -2,839 | -1 | -2,407 | -1 |
| (Surplus) / Deficit of the year | <u>0</u> | <u>1,428</u> | <u>0</u> | <u>951</u> |

Balance Sheet

| | | | | |
|-------------------------------|----------|----------|----------|----------|
| Current Assets | | | | |
| Current Liabilities | | | | |
| Total Assets less Liabilities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Reserves | | | | |
| Total Financing | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

Joint Archive Service

| | <u>2010/11</u> | | <u>2009/10</u> | |
|---|----------------|------------------|----------------|------------------|
| | <u>Total</u> | <u>CCS Share</u> | <u>Total</u> | <u>CCS Share</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| <u>Comprehensive Income and Expenditure Statement</u> | | | | |
| Expenditure | 552 | 397 | 557 | 403 |
| Income | -48 | -33 | -38 | -26 |
| Net cost of service | 504 | 364 | 519 | 377 |
| Net operating cost | 504 | 364 | 519 | 377 |
| Contributions | -504 | -364 | -519 | -377 |
| (Surplus) / Deficit of the year | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

Balance Sheet

| | | | | |
|-------------------------------|-------------|-------------|-------------|-------------|
| Current Assets | 184 | 125 | 172 | 117 |
| Current Liabilities | -1 | -1 | -1 | -1 |
| Total Assets less Liabilities | <u>183</u> | <u>124</u> | <u>171</u> | <u>116</u> |
| Reserves | -183 | -124 | -171 | -116 |
| Total Financing | <u>-183</u> | <u>-124</u> | <u>-171</u> | <u>-116</u> |

NOTES TO THE ACCOUNTS

SWITCH

| | <u>2010/11</u> | | <u>2009/10</u> | |
|--|-----------------------|---------------------------|-----------------------|---------------------------|
| | <u>Total</u> £'000 | <u>CCS Share</u> £'000 | <u>Total</u> £'000 | <u>CCS Share</u> £'000 |
| <u>Comprehensive Income and Expenditure Statement</u> | | | | |
| Expenditure | 373 | 262 | 815 | 229 |
| Income | -341 | -230 | -781 | -195 |
| (Surplus) / Deficit of the year | <u>32</u> | <u>32</u> | <u>34</u> | <u>34</u> |
| <u>Balance Sheet</u> | | | | |
| Current Assets | 68 | 48 | 446 | 112 |
| Current Liabilities | -68 | -48 | -446 | -112 |
| Total Assets less Liabilities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Reserves | | | | |
| Total Financing | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

Casualty Reduction Partnership

| | <u>2010/11</u> | | <u>2009/10</u> | |
|--|-----------------------|---------------------------|-----------------------|---------------------------|
| | <u>Total</u> £'000 | <u>CCS Share</u> £'000 | <u>Total</u> £'000 | <u>CCS Share</u> £'000 |
| <u>Comprehensive Income and Expenditure Statement</u> | | | | |
| Expenditure | 6,375 | 587 | 5,000 | 658 |
| Income | -6,375 | -550 | -5,000 | -654 |
| (Surplus) / Deficit of the year | <u>0</u> | <u>37</u> | <u>0</u> | <u>4</u> |
| <u>Balance Sheet</u> | | | | |
| Current Assets | 3,000 | 223 | 3,000 | 443 |
| Current Liabilities | -3,000 | -223 | -3,000 | -443 |
| Total Assets less Liabilities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Reserves | | | | |
| Total Financing | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

Safer Swansea Community Safety Partnership

| | <u>2010/11</u> | | <u>2009/10</u> | |
|--|-----------------------|---------------------------|-----------------------|---------------------------|
| | <u>Total</u> £'000 | <u>CCS Share</u> £'000 | <u>Total</u> £'000 | <u>CCS Share</u> £'000 |
| <u>Comprehensive Income and Expenditure Statement</u> | | | | |
| Expenditure | 3,817 | 3,540 | 3,817 | 3,540 |
| Income | -3,817 | -3,540 | -3,817 | -3,540 |
| (Surplus) / Deficit of the year | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>Balance Sheet</u> | | | | |
| Current Assets | 1,197 | 1,197 | 1,197 | 1,197 |
| Current Liabilities | -1,197 | -1,197 | -1,197 | -1,197 |
| Total Assets less Liabilities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Reserves | | | | |
| Total Financing | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

NOTES TO THE ACCOUNTS

Joint Resilience Unit

| | <u>2010/11</u> | | <u>2009/10</u> | |
|--|----------------|------------------|----------------|------------------|
| | <u>Total</u> | <u>CCS Share</u> | <u>Total</u> | <u>CCS Share</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| <u>Comprehensive Income and Expenditure Statement</u> | | | | |
| Expenditure | 301 | 196 | 264 | 159 |
| Income | -11 | -11 | -9 | -9 |
| Net cost of service | 290 | 185 | 255 | 150 |
| Net operating cost | 290 | 185 | 255 | 150 |
| Contributions | -105 | 0 | -105 | 0 |
| (Surplus) / Deficit of the year | 185 | 185 | 150 | 150 |
| <u>Balance Sheet</u> | | | | |
| Current Assets | 64 | 32 | 64 | 32 |
| Current Liabilities | | | | |
| Total Assets less Liabilities | 64 | 32 | 64 | 32 |
| Reserves | -64 | -32 | -64 | -32 |
| Total Financing | -64 | -32 | -64 | -32 |

Local Resilience Forum

| | <u>2010/11</u> | | <u>2009/10</u> | |
|--|----------------|------------------|----------------|------------------|
| | <u>Total</u> | <u>CCS Share</u> | <u>Total</u> | <u>CCS Share</u> |
| | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> | <u>£'000</u> |
| <u>Comprehensive Income and Expenditure Statement</u> | | | | |
| Expenditure | 68 | 5 | 59 | 5 |
| Income | 0 | 0 | 0 | 0 |
| Net cost of service | 68 | 5 | 59 | 5 |
| Net operating cost | 68 | 5 | 59 | 5 |
| Contributions | -68 | -5 | -59 | -5 |
| (Surplus) / Deficit of the year | 0 | 0 | 0 | 0 |
| <u>Balance Sheet</u> | | | | |
| Current Assets | 112 | 7 | 95 | 7 |
| Current Liabilities | -112 | -7 | -95 | -7 |
| Total Assets less Liabilities | 0 | 0 | 0 | 0 |
| Reserves | | | | |
| Total Financing | 0 | 0 | 0 | 0 |

NOTES TO THE ACCOUNTS

47. Transition to IFRS

| | £'000 |
|---|-----------------------------|
| Net deficit for the year ended 31st March 2010 under UK GAAP | 48,539 |
| Adjustments for IFRS changes - | |
| IAS 40 Investment Properties | -4,221 |
| IAS 17 Equipment Leases | 139 |
| IAS 19 Employee Benefits | 722 |
| IAS 20 Government Grants | -11,827 |
| Net deficit for the year ended 31st March 2010 under IFRS | <u><u>33,352</u></u> |

NOTES TO THE ACCOUNTS

Restatement of net worth 1st April 2009

| | General Fund | Housing Revenue A/C | Earmarked Reserves | Capital Adjustment A/C | Revaluation Reserve | Financial Instrument Adjustment A/C | Pensions Reserve | Usable Capital Receipts Reserve | Accumulated Absences A/C | Deferred Capital Receipts Reserve | Capital Grants Unapplied A/C | Total |
|--|--------------|---------------------|--------------------|------------------------|---------------------|-------------------------------------|------------------|---------------------------------|--------------------------|-----------------------------------|------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net worth at 1st April 2009 under UK GAAP | 6,664 | 10,566 | 55,190 | 388,226 | 82,323 | -1,051 | -423,570 | 11,326 | 0 | 0 | 0 | 129,674 |
| Adjustments for IFRS changes - | | | | | | | | | | | | |
| IAS 40 Investment Properties | | | | -16,004 | -22,642 | | | | | | | -38,646 |
| IAS 17 Equipment Leases | | | | 741 | | | | | | | | 741 |
| IAS 19 Employee Benefits | | | | | | | | -7,869 | | | | -7,869 |
| IAS 38 Intangible Assets | | | | 1,120 | | | | | | | | 1,120 |
| IAS 20 Government grants | | | | 169,355 | | | | | | | 9,612 | 178,967 |
| Net worth at 1st April 2009 under IFRS | 6,664 | 10,566 | 55,190 | 543,438 | 59,681 | -1,051 | -423,570 | 11,326 | -7,869 | 0 | 9,612 | 263,987 |

NOTES TO THE ACCOUNTS

Restatement of net worth 1st April 2010

| | General Fund | Housing Revenue A/C | Earmarked Reserves | Capital Adjustment A/C | Revaluation Reserve | Financial Instrument Adjustment A/C | Pensions Reserve | Usable Capital Receipts Reserve | Accumulated Absences A/C | Deferred Capital Receipts Reserve | Capital Grants Unapplied A/C | Total |
|---|--------------|---------------------|--------------------|------------------------|---------------------|-------------------------------------|------------------|---------------------------------|--------------------------|-----------------------------------|------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net worth at 31st March 2010 under UK GAAP | 9,664 | 11,303 | 49,937 | 362,549 | 113,928 | -1,012 | -566,100 | 17,644 | 0 | 0 | 0 | -2,087 |
| Adjustments for IFRS changes - | | | | | | | | | | | | |
| IAS 40 Investment Properties | | | | -12,275 | -25,191 | | | | | | | -37,466 |
| IAS 17 Equipment Leases | | | | 602 | | | | | | | | 602 |
| IAS 19 Employee Benefits | | | | | | | | -8,591 | | | | -8,591 |
| IAS 38 Intangible Assets | | | | 1,120 | -1,120 | | | | | | | 0 |
| IAS 20 Government grants | | | | 178,028 | | | | | | | 12,765 | 190,793 |
| Capital receipts | | | | | | | | -7,622 | | 7,622 | | 0 |
| Trading adjustment | -55 | 55 | | | | | | | | | | |
| Net worth at 31st March 2010 under IFRS | 9,609 | 11,358 | 49,937 | 530,024 | 87,617 | -1,012 | -566,100 | 10,022 | -8,591 | 7,622 | 12,765 | 143,251 |

NOTES TO THE ACCOUNTS

48. Exceptional Item

In the UK Budget statement on 22nd June 2010 the Chancellor announced that, with effect from 1st April 2011, the rate of annual public service pension increases would change from the Retail Prices Index (RPI) to the Consumer Price Index (CPI). In March 2011, this change was enshrined in law through the issue of the Local Government Pension Scheme (Benefits, Membership & Contributions) (Amendment) Regulations 2011 (SI No. 561 2011). In the long term, CPI is expected to be lower than RPI, and as a result it is expected that overall future payments to pensioners, and hence the long term liability of the pension fund, will be substantially reduced. The impact of the change from RPI to CPI is a reduction in the Authority's share of the overall pension liability of £114.723m. This has been accounted for in accordance with guidance set down in UITF Abstract 48 as a negative past service cost in the comprehensive income and expenditure statement (exceptional item in net cost of services) as it is considered to be a change in benefit entitlement.

49. Prior Year Restatement

During the audit of the 2011/12 accounts it was noted that an incorrect figure had been submitted to the actuary in respect of the number of teachers approved for early retirement. This figure required adjustment for the 2010/11 year also but does not impact on the calculations used in the triennial valuation which sets employer contribution rates. The adjustments shown below is designed to reflect the amended pension liability arising from this omission.

Comprehensive Income and Expenditure Statement

| | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
|--|-------------------------------|--------------------------|-----------------------------|
| Published Cost of Services | 615,448 | -316,138 | 299,310 |
| Restatement adjustments - Revised Actuary report | -500 | | -500 |
| Restated Cost of Services | 614,948 | -316,138 | 298,810 |
| | | | |
| Published Financing & Investment Income & Expenditure | 16,816 | -6,899 | 9,917 |
| Restatement adjustments - Revised Actuary report | 1,360 | | 1,360 |
| Restated Financing & Investment Income & Expenditure | 18,176 | -6,899 | 11,277 |

NOTES TO THE ACCOUNTS

| | £'000 |
|---|----------------|
| Published Actuarial gains / (losses) on pension assets / liabilities | -65,350 |
| Restatement adjustments - Revised Actuary report | -750 |
| Restated Actuarial gains / (losses) on pension assets / liabilities | -66,100 |

Balance Sheet

| | £'000 |
|---|-----------------|
| Published Other long term liabilities | -400,700 |
| Restatement adjustments - Revised Actuary report | -21,389 |
| Restated Other long term liabilities | -422,089 |

| | |
|---|-----------------|
| Published Pension Reserve | -400,700 |
| Restatement adjustments - Revised Actuary report | -21,389 |
| Restated Pension Reserve | -422,089 |

Movement In Reserves Statement

| | £'000 |
|--|---------------|
| General Fund Balance | |
| Published Surplus or (deficit) on the provision of services | 93,489 |
| Restatement adjustments - Revised Actuary report | -860 |
| Restated Surplus or (deficit) on the provision of services | 92,629 |

| | |
|---|----------------|
| Published Adjustments between accounting basis & funding basis under regulations | -91,594 |
| Restatement adjustments - Revised Actuary report | 860 |
| Restated Pension Reserve | -90,734 |

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

| <u>2009/10</u> | | <u>2010/11</u> |
|----------------|---|---------------------------------------|
| <u>£'000</u> | | <u>Note</u> <u>£'000</u> <u>£'000</u> |
| | <u>Expenditure</u> | |
| 13,317 | Repairs and maintenance | 14,032 |
| 12,758 | Supervision and management | 12,998 |
| 714 | Rent, rates, taxes and other charges | 697 |
| 6,200 | Negative HRA subsidy payable | 6,417 |
| 19,728 | Depreciation and impairment of non-current assets | 6 15,336 |
| 34 | Debt management costs | 38 |
| 268 | Movement in the allowance for bad debts | 218 |
| 80 | Revenue expenditure funded from capital under statute | 28 |
| 53,099 | Total Expenditure | 49,764 |
| | <u>Income</u> | |
| -41,768 | Dwelling rents | -42,689 |
| -56 | Non-dwelling rents | -57 |
| -2,058 | Charges for services and facilities | -2,153 |
| -799 | Contributions towards expenditure | -938 |
| -44,681 | Total Income | -45,837 |

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

| <u>2009/10</u> | | <u>2010/11</u> |
|--------------------|--|--------------------|
| 8,418 | Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement | 3,927 |
| 670 | HRA services' share of Corporate and Democratic Core | 684 |
| <hr/> 9,088 | Net Cost for HRA Services | <hr/> 4,611 |
| | HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement: | |
| 4,042 | Interest payable and similar charges | 3,916 |
| -40 | Interest and investment income | -34 |
| 1,552 | Pensions interest cost and expected return on pensions assets | 911 |
| -10,100 | Capital grants and contributions receivable | -10,300 |
| -311 | Income and expenditure in relation to investment properties and changes in their fair value | 663 |
| <hr/> -4,857 | | <hr/> -4,844 |
| <hr/> 4,231 | Surplus(-)/deficit for the year on HRA services | <hr/> -233 |
| <hr/> <hr/> | | <hr/> <hr/> |

MOVEMENT ON THE HRA BALANCE

| <u>2009/10</u> | | <u>2010/11</u> |
|--|---|----------------|
| <u>£'000</u> | | <u>£'000</u> |
| 10,566 | Balance on the HRA at the end of the previous year | 11,358 |
| -4,231 | Surplus or (deficit) for the year on the HRA Income and Expenditure Statement | 233 |
| 5,023 | Adjustments between accounting basis and funding basis under statute | 3,644 |
| 792 | | 3,877 |
| | Net increase before transfers to or from reserves | |
| 0 | Transfers to reserves | -96 |
| 792 | Increase in year on the HRA | 3,781 |
| 11,358 | Balance on the HRA at the end of the current year | 15,139 |
| <u>Adjustments between accounting basis and funding basis under statute</u> | | |
| Adjustments primarily involving the Capital Adjustment Account: | | |
| Reversal of items debited or credited to the HRA Income and Expenditure Statement: | | |
| 19,728 | Charges for depreciation and impairment of non-current assets | 15,336 |
| -268 | Movement in the market value of Investment Properties | 706 |
| 80 | Revenue Expenditure funded from Capital under statute | 28 |
| 0 | Transfer to/from Capital Adjustment Account | -28 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| -1,547 | Statutory provision for the financing of capital investment | -1,505 |
| -4,226 | Capital expenditure charged against the HRA balance | -1,719 |
| Adjustments primarily involving the Capital Grants Unapplied Account - | | |
| -10,100 | Capital grants and contributions receivable | -10,300 |
| Adjustments primarily involving the Capital Receipts Reserve - | | |
| 19 | Contribution from the Capital Receipts reserve towards administrative costs of non-current assets disposals | 0 |
| Adjustments primarily involving the Financial Instruments Adjustment Account - | | |
| 101 | Amount by which finance costs charged to the HRA Income and Expenditure Account are different from finance costs chargeable in the year in accordance with statutory requirements | 101 |
| Adjustments primarily involving the Pensions Reserve - | | |
| 2,512 | Reversal of items relating to retirement benefits debited or credited to the HRA Income and Expenditure Statement | 2,254 |
| -1,290 | Employers pensions contributions and direct payments to pensioners payable in the year | -1,309 |
| Adjustments primarily involving the Accumulated Absences Account - | | |
| 14 | Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 80 |
| 5,023 | Total Adjustments | 3,644 |

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

As at 31st March 2011 the Authority owned a total of 13,629 properties, made up of different types of dwelling including detached houses, semi-detached houses, bungalows, low level flats, high rise accommodation and sheltered accommodation.

The change in stock numbers can be summarised as follows:

| 31/03/2010 | | 31/03/2011 |
|-------------------|---|-------------------|
| Units | | Units |
| 13,654 | Stock at 1 st April | 13,643 |
| -13 | Sales | -14 |
| 0 | Demolitions/out of income | -1 |
| 2 | New buildings, acquisitions, brought back into income | 1 |
| <u>13,643</u> | Stock at 31 st March | <u>13,629</u> |

2. Rent arrears and provisions for bad debts

Rent arrears

| 31/03/2010 | | 31/03/2011 |
|-------------------|-----------------|-------------------|
| £'000 | | £'000 |
| 1,028 | Current tenants | 978 |
| 482 | Former tenants | 444 |
| <u>1,510</u> | | <u>1,422</u> |

Former tenants arrears written off during 2010/11 totalled £0.306m (2009/10 £0.399m). A bad debts provision has been made in the accounts in respect of potentially uncollectable rent arrears. The value of the provision at 31st March 2011 is £0.829m (31st March 2010 £0.917m).

Provision for bad debts

| 2009/10 | | 2010/11 |
|----------------|---------------------------------|----------------|
| £'000 | | £'000 |
| -1,048 | Provisions as at 1st April | -917 |
| 399 | Arrears written off during year | 306 |
| -268 | Increase in provision required | -218 |
| <u>-917</u> | Provisions as at 31st March | <u>-829</u> |

NOTES TO THE HOUSING REVENUE ACCOUNT

3. Capital expenditure

During 2010/11 £12.147m (2009/10 £14.253m) was spent on Council Housing.

This was financed as follows:-

| 2009/10 | | 2010/11 |
|----------------------|----------------------------------|----------------------|
| £'000 | | £'000 |
| 9,100 | Grants – Major Repairs Allowance | 9,100 |
| 0 | – Arbed | 1,200 |
| 80 | Capital Receipts | 28 |
| 5,073 | Revenue and Balances | 1,819 |
| <u>14,253</u> | | <u>12,147</u> |

The capital expenditure was incurred on HRA assets as follows:

| 2009/10 | | 2010/11 |
|----------------------|-------------------|----------------------|
| £'000 | | £'000 |
| 484 | Land | 0 |
| 13,769 | Council dwellings | 12,147 |
| <u>14,253</u> | | <u>12,147</u> |

The Major Repairs Allowance of £9.1m was used in full in 2009/10 and 2010/11.

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 Authority (e.g. housing renovation grants), is classified as revenue expenditure funded from capital under statute.

Revenue expenditure funded from capital under statute totalling £28k was charged to the Housing Revenue Account in 2010/11 (2009/10 £80k).

5. Capital receipts during the year

Capital receipts received during the year in respect of the sale of HRA properties amounted to £0.840m (0.795m 2009/10). Of this £0.575m (£0.527m 2009/10) was set aside for the repayment of debt and £18k (£17k 2009/10) was used to defray costs.

NOTES TO THE HOUSING REVENUE ACCOUNT

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

| 2009/10 | | 2010/11 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 4,927 | Opening balance 1 st April | 5,099 |
| 795 | Receipts during the year | 840 |
| -527 | Less set asides | -575 |
| -17 | Less other costs | -18 |
| 5,178 | Available to use | 5,346 |
| -79 | Less applied | -28 |
| 5,099 | Balance available as at 31st March | 5,318 |

Capital receipts were as follows:

| 2009/10 | | 2010/11 |
|----------------|----------------|----------------|
| £'000 | | £'000 |
| 693 | Council Houses | 758 |
| 47 | Land | 22 |
| 55 | Other | 60 |
| 795 | | 840 |

6. Depreciation charges and impairment

The total charge for depreciation and impairment made to the HRA for 2010/11 amounted to £15.633m (2009/10 £19.728m) and is analysed as follows:-

| 2009/10 | | 2010/11 |
|----------------|------------------------------------|----------------|
| £'000 | | £'000 |
| | Depreciation on operational assets | |
| 2,728 | - dwellings | 2,809 |
| 24 | - other property | 25 |
| | Impairment - | |
| 16,974 | - dwellings | 12,119 |
| 2 | - other property | 0 |
| | Revaluation Losses | |
| 0 | - dwellings | 383 |
| 19,728 | Total | 15,336 |

NOTES TO THE HOUSING REVENUE ACCOUNT

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

7. IAS 19 – Accounting for pension costs.

Supervision and management costs shown within the income and expenditure account includes a sum of £2.254m (2009/10 £2.512m) which is the cost calculated by the Authority's actuary as being the employers contribution required to meet the current year pension costs of HRA employees. This does not represent a statutory charge to HRA balances and is reversed out and replaced by the actual employers superannuation payments made before the final transfer to/from Housing Revenue Account balances is calculated.

8. Reserve Transfer

In 2008/09 the Authority received a sum of £96k to be used for Affordable Housing. This was classified as belonging to the HRA and as such was earmarked as a HRA reserve. However, as the sum of money is to be used for affordable housing generally and not specifically for Council tenants this should have been classed as a General Fund earmarked reserve and not a HRA earmarked reserve. This reserve is therefore no longer shown as a HRA reserve, but now forms part of the Authority's General Fund earmarked reserves.

In 2008/09 the £96k was shown as income to the HRA, restating the accounts would mean the income for 2008/09 would be reduced by £96k. In 2008/09 and 2009/10 the reserve balance of £96k should not have been included in the HRA Statement of Accounts.

9. Transition to IFRS

| | £'000 |
|--|--------------|
| Net deficit for the year ended 31st March 2010 under UK GAAP | 4,687 |
| Adjustments for IFRS changes - | |
| IAS 40 Investment Properties | -305 |
| IAS 17 Equipment Leases | 0 |
| IAS 19 Employee Benefits | 14 |
| IAS 20 Government Grants | -110 |
| Trading adjustment | -55 |
| Net deficit for the year ended 31st March 2010 under IFRS | <hr/> 4,231 |

ASSET STRUCTURE

Major fixed assets held by the Authority at 31st March 2011.

| Number 31/03/2010 | | Number 31/03/2011 |
|------------------------------|---|------------------------------|
| | Corporate Building & Property Services | |
| 1 | • Heol y Gors Depot | 1 |
| 1 | • Penlan Storage Depot | 1 |
| 1 | • Linden Avenue Depot | 1 |
| 1 | • Criccieth Place Depot | 1 |
| 1 | • Enterprise Park | 1 |
| 10 | • Industrial/Warehousing Sites | 10 |
| 1 | • Civic Centre (Swansea) | 1 |
| 1 | • Civic Centre (Penllergaer) | 1 |
| 1 | • Guildhall | 1 |
| 1419 | • Residential Freeholds | 1429 |
| 1 | • St David's Shopping Centre | 1 |
| 1 | • The Quadrant Shopping Centre | 1 |
| | Culture & Tourism | |
| 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 |
| 78 | • Parks & Open Spaces (497 Hectares) | 78 |
| 970 | • Foreshore (hectares) | 970 |
| 81 | • Children's Playgrounds | 81 |
| 1 | • Caravan Parks | 1 |
| 1 | • Tourist Information Centres | 1 |
| 1 | • Stadium | 1 |
| 1 | • Bowls Hall | 1 |
| 4 | • Museums | 4 |
| 1 | • Art Gallery | 1 |
| 33 | • Community Centres | 33 |
| 10 | • Senior Citizen Pavilions | 10 |
| 1 | • Discovery Centre - Brynmill | 1 |

ASSET STRUCTURE

| Number 31/03/2010 | | Number 31/03/2011 |
|--|--|------------------------------|
| 1 | • Ty Blodau - Botanics | 1 |
| 0 | • Adizone | 1 |
| 1 | • Country Park - Clyne | 1 |
| 0 | • Skateparks @ Elba | 6 |
| 16 | • Multi Use Games Areas | 16 |
| 1 | • Promenade Fitness Trail | 1 |
| 0 | • Parks Fitness Trails - Parc Llewellyn, Coedbach & Coed Gwilym | 3 |
| 1 | • Oystermouth Castle | 1 |
| 0 | • BMX Tracks | 3 |
| 17 | • Libraries | 17 |
| Education | | |
| 82 | • Primary/Junior/Infants/Nursery School (excluding Church Schools) | 78 |
| 14 | • Secondary Schools (excluding Church Schools) | 14 |
| 6 | • Special Schools/Referral Units | 6 |
| 4 | • Community Education | 4 |
| 3 | • Residential Activity Centres | 3 |
| 5 | • Youth Clubs | 5 |
| 1 | • Info Nation (Youth Information Service) | 1 |
| Housing and Community Regeneration | | |
| 13,643 | • Council Dwellings | 13,629 |
| 9 | • Area Housing Offices | 9 |
| Marketing Communications & Scrutiny | | |
| 1 | • Mansion House | 1 |
| Performance and Strategic Planning | | |
| 1 | • West Cross Bunker | 1 |
| Public Protection | | |
| 7 | • Cemeteries | 7 |
| 1 | • Crematorium | 1 |
| 5 | • Cemetery Lodges/Chapel of Rest | 5 |
| 1 | • Designated New Cemetery (not yet operational) | 1 |

ASSET STRUCTURE

**Number
31/03/2010**

**Number
31/03/2011**

Regeneration & Planning

| | | |
|---|----------------------------|---|
| 1 | • Garth Farm | 1 |
| 1 | • Bishopwood Centre | 1 |
| 6 | • Local Nature Reserves | 6 |
| 1 | • Shopmobility | 1 |
| 1 | • City Centre Offices | 1 |
| 1 | • Market | 1 |
| 1 | • Business Centre, Swansea | 1 |

Social Services

| | | |
|----|--|----|
| 14 | • Residential & Respite Facilities | 13 |
| 0 | • Residential & Respite Facilities (Vacant) | 1 |
| 16 | • Day & Social Centres/Activities | 16 |
| 3 | • Residential & Day Centres/Activities (combined on same site) | 3 |
| 8 | • Offices/Resource Centres | 8 |
| 4 | • Other major assets | 4 |

Streetscene

| | | |
|-----|---------------------------------------|-----|
| 102 | • Principal Roads (Kilometres) | 102 |
| 229 | • Other Classified Roads (Kilometres) | 230 |
| 756 | • Other Roads (Kilometres) | 759 |
| 5 | • Refuse Collection – Amenity Sites | 5 |
| 1 | • Landfill Sites | 1 |
| 2 | • Depots | 2 |

Transportation

| | | |
|----|-------------|----|
| 51 | • Car Parks | 51 |
| 1 | • Marina | 1 |
| 1 | • Barrage | 1 |

CITY & COUNTY OF SWANSEA PENSION FUND

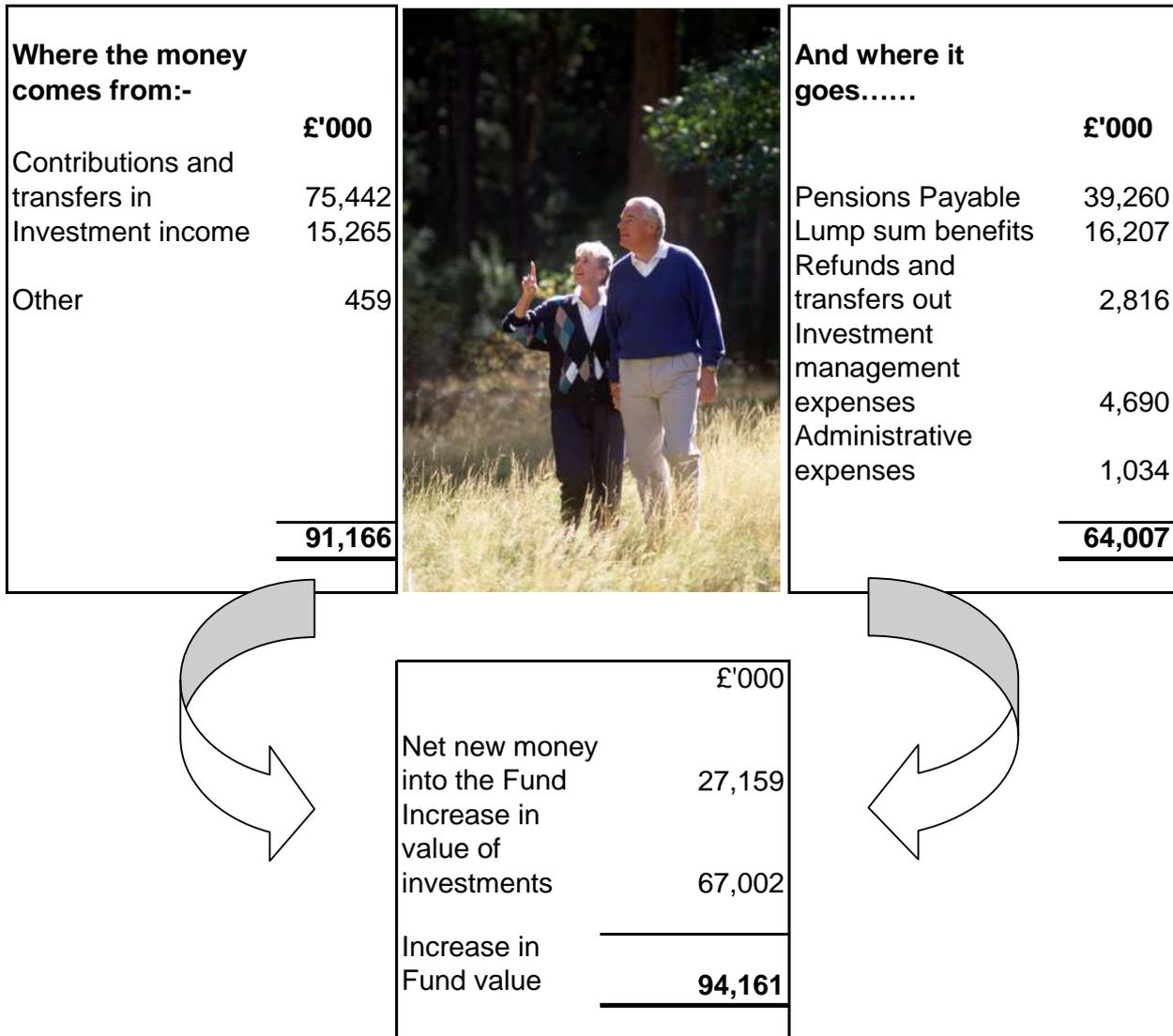
1. Introduction

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

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

- The Fund Account which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The Net Assets Statement which gives a snapshot of the financial position of the fund as at 31st March 2011.
- The Notes to The Accounts are designed to provide further explanation of some of the figures in the statement and to give a further understanding of the nature of the fund.

2. Summary of transactions for the year



CITY & COUNTY OF SWANSEA PENSION FUND

Section 151 Officer's Certificate

I hereby certify that the statement of accounts on pages 141 to 170 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2011.

M. Blumberg 06/02/13

CITY & COUNTY OF SWANSEA PENSION FUND

Fund Account For The Year Ended 31st March

| 2009/10 | 2010/11 | | |
|---|---------|---------|---------------|
| £'000 Contributions and benefits : | Notes | £'000 | £'000 |
| Contributions receivable : | | | |
| 51,170 | 3 | 53,618 | |
| 15,992 | 3 | 16,095 | |
| 5,193 | 4 | 5,729 | 75,442 |
| 491 | 5 | | 459 |
| 72,846 | | | 75,901 |
| Benefits payable : | | | |
| -37,812 | | -39,260 | |
| -11,105 | 6 | -16,207 | -55,467 |
| Payments to and on account of leavers : | | | |
| -10 | | -2 | |
| -4,336 | 7 | -2,814 | -2,816 |
| -768 | 8 | | -1,034 |
| 18,815 | | | 16,584 |
| Net additions from dealing with members | | | |
| | | | |
| Returns on investments | | | |
| 13,491 | 9 | | 15,265 |
| Change in market value of investments | | | |
| 237,248 | 12 | 39,563 | |
| 15,810 | 14 | 27,439 | 67,002 |
| -4,238 | 8 | | -4,690 |
| 262,311 | | | 77,577 |
| Net returns on investments | | | |
| | | | |
| 281,126 | | | 94,161 |
| Net increase in the fund during the year | | | |
| | | | |
| 735,685 | | | 1,016,811 |
| 1,016,811 | | | 1,110,972 |

CITY & COUNTY OF SWANSEA PENSION FUND

Net Assets Statement As At 31 March

| 31st March 2010 £'000 | Notes | 31st March 2011 £'000 |
|--|-------|--------------------------------|
| Investments at market value: | | |
| 122,023 Fixed interest | 11 | 149,031 |
| 16,324 Index linked securities | 11 | 16,811 |
| 344,091 U.K. equities | 11 | 372,823 |
| 31,411 Property | 11 | 37,188 |
| 40,422 Hedge Funds | 11 | 42,286 |
| 2,163 Private Equity | 11 | 16,545 |
| 16,761 Global Tactical Asset Allocation (GTAA) | 11 | 17,737 |
| 351,770 Overseas Equities | 11 | 389,577 |
| 12,263 Cash Funds | 12 | 12,453 |
| 77,105 Cash | 12 | 51,662 |
| 1,014,333 Sub Total | | 1,106,113 |
| 5,841 Current Assets | 16 | 8,281 |
| -3,363 Current Liabilities | 16 | -3,422 |
| <u>1,016,811</u> Net assets | | <u>1,110,972</u> |

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.

Notes to the Accounts

1. Basis of preparation

The accounts have been prepared to meet the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. This Code of Practice complies in principal, with the main recommendations of the SORP "Financial Reports of Pension Schemes", issued by the Pensions Research Accountants Group (PRAG). The Accounting Standards Board (ASB) has approved PRAG as an issuer of SORPs for pension schemes.

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. Under local agreements some Employers have exercised the right to make these repayments over three years incurring the relevant interest costs.

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

(b) Benefits

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

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

(c) Transfers to and from other Schemes

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

(d) Investments

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

CITY & COUNTY OF SWANSEA PENSION FUND

(d) Investments (continued)

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.

ix) Underlying property assets are valued on the basis of a fair market property valuation process which is in accordance with IFRS and US GAAP.

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

| Total Contributions 2009/10 £'000 | Total Contributions 2010/11 £'000 |
|---|--|
| <u>Admitted Bodies</u> | |
| 43 BAPTIE | 42 |
| 359 Celtic Community Leisure | 284 |
| 22 Colin Laver Central Heating | 25 |
| 19 Swansea Bay Racial Equality Council | 21 |
| 96 Wales National Pool | 91 |
| 111 Capgemini | 110 |
| <u>Scheduled Bodies</u> | |
| 36,393 City & County of Swansea | 38,373 |
| 4 Cilybebyll Community Council | 4 |
| 26 Coedffranc Community Council | 21 |
| 0 Gower College | 1,675 |
| 468 Gorseinon College | 0 |
| 1,158 Swansea College | 0 |
| 1,245 Neath Port Talbot College | 1,270 |
| 35 Neath Town Council | 34 |
| 25,859 Neath Port Talbot County Borough Council | 26,302 |
| 0 NPT Homes | 103 |
| 22 Margam Joint Crematorium Committee | 29 |
| 14 Pelenna Community Council | 15 |
| 23 Phoenix Trust | 23 |
| 13 Pontardawe Town Council | 13 |
| 35 Swansea Bay Port Health Authority | 37 |
| 92 Swansea City Waste Disposal | 91 |
| 1,125 Swansea Metropolitan University | 1,150 |
| 67,162 Total Contributions Receivable | 69,713 |

Gorseinon And Swansea Colleges merged in August 2010 to create Gower College.

CITY & COUNTY OF SWANSEA PENSION FUND

Contributions (continued)

Total Employer/Employee contributions comprises of:

| 2009/10 | | 2010/11 |
|----------------|--------------|----------------|
| £'000 | | £'000 |
| | Employers | |
| 50,390 | Normal | 51,459 |
| 8 | Other | 17 |
| 772 | Early Access | 2,142 |
| <u>51,170</u> | Total | <u>53,618</u> |
| | Employees | |
| 15,927 | Normal | 16,032 |
| 65 | Other | 63 |
| <u>15,992</u> | Total | <u>16,095</u> |

4. Transfers In

Transfers in comprises of:

| 2009/10 | | 2010/11 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 5,193 | Individual transfers from other schemes | 5,729 |
| <u>5,193</u> | Total | <u>5,729</u> |

5. Other Income

Other income comprises of:

| 2009/10 | | 2010/11 |
|----------------|-------------------------|----------------|
| £'000 | | £'000 |
| 455 | Bank Interest | 437 |
| 36 | Early Access - Interest | 22 |
| <u>491</u> | Total | <u>459</u> |

6. Lump Sum Benefits

The lump sum benefits paid comprise of:

| 2009/10 | | 2010/11 |
|----------------|-----------------------|----------------|
| £'000 | | £'000 |
| 9,747 | Commutation lump sums | 15,070 |
| 1,358 | Death grant lump sums | 1,137 |
| <u>11,105</u> | Total | <u>16,207</u> |

CITY & COUNTY OF SWANSEA PENSION FUND

7. Payments to and on account of leavers

Transfers out and refunds comprise of:

| 2009/10 | | 2010/11 |
|--------------|---------------------------------------|--------------|
| £'000 | | £'000 |
| 10 | Refunds to members leaving service | 2 |
| 4,336 | Individual transfers to other schemes | 2,814 |
| <u>4,346</u> | Total | <u>2,816</u> |

8. Administrative and Investment Manager Expenses

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

| 2009/10 | | 2010/11 |
|--------------|--------------------------------|--------------|
| £'000 | | £'000 |
| 768 | Administrative Expenses | 1,034 |
| 4,238 | Investment Management Expenses | 4,690 |
| <u>5,006</u> | Total | <u>5,724</u> |

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

9. Investment Income

| 2009/10 | | 2010/11 |
|---------------|--|---------------|
| £'000 | | £'000 |
| 8,436 | U.K. Equities | 8,696 |
| 4,165 | Overseas Equities | 5,086 |
| 4 | Pooled Investment vehicles - Fixed Interest Securities | 0 |
| 291 | Pooled Investment vehicles - Property Fund | 706 |
| 0 | Pooled Investment vehicles - Private Equity | 200 |
| 595 | Interest | 577 |
| <u>13,491</u> | | <u>15,265</u> |

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 2010/11 it was £8,239k (2009/10 £8,029k) of which £273k (2009/10 £300k) was from Index-linked securities.

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 1st May 2003.

11. Investment Assets

| | 2010 | | | 2011 | | |
|--|----------------|-------------------|----------------|----------------|-------------------|------------------|
| | UK £'000 | Overseas £'000 | Total £'000 | UK £'000 | Overseas £'000 | Total £'000 |
| Equities | | | | | | |
| Quoted | 228,623 | 220,357 | 448,980 | 253,570 | 244,048 | 497,618 |
| Pooled investment vehicles | | | | | | |
| Managed Funds: | | | | | | |
| Quoted: | | | | | | |
| Fixed Interest | 0 | 76,110 | 76,110 | 0 | 97,349 | 97,349 |
| Index-Linked | 0 | 0 | 0 | 0 | 0 | 0 |
| Unquoted: | | | | | | |
| Equity | 115,468 | 131,413 | 246,881 | 119,253 | 145,529 | 264,782 |
| Fixed Interest | 45,913 | 0 | 45,913 | 51,682 | 0 | 51,682 |
| Index-linked | 16,324 | 0 | 16,324 | 16,811 | 0 | 16,811 |
| Property Unit Trust | 13,840 | 0 | 13,840 | 14,533 | 0 | 14,533 |
| Property Fund | 14,056 | 3,515 | 17,571 | 15,917 | 6,738 | 22,655 |
| Hedge Fund | 0 | 40,422 | 40,422 | 0 | 42,286 | 42,286 |
| Global Tactical Asset Allocation | 0 | 16,761 | 16,761 | 0 | 17,737 | 17,737 |
| Private Equity | 0 | 2,163 | 2,163 | 0 | 16,545 | 16,545 |
| Total pooled investment vehicles | 205,601 | 270,384 | 475,985 | 218,196 | 326,184 | 544,380 |
| Total equities and pooled investment vehicles | 434,224 | 490,741 | 924,965 | 471,766 | 570,232 | 1,041,998 |

CITY & COUNTY OF SWANSEA PENSION FUND

12. Changes in Investment Assets

| | | Value at 31.3.10 | Purchases | Sales | Change in Market Value | Value at 31.3.11 |
|---|--------------------|---------------------|----------------|-----------------|------------------------------|---------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| Equities | | | | | | |
| | Aberdeen | 62,276 | 15,801 | -8,793 | -988 | 68,296 |
| | JPM | 161,582 | 148,938 | -134,986 | 3,588 | 179,122 |
| | Schroders | 225,123 | 29,672 | -17,678 | 13,085 | 250,202 |
| | L&G | 246,880 | 6,750 | -10,350 | 21,500 | 264,780 |
| | | 695,861 | 201,161 | -171,807 | 37,185 | 762,400 |
| Property | | | | | | |
| UK & Europe | | | | | | |
| | Schroders | 27,896 | 429 | -17 | 2,142 | 30,450 |
| Overseas | | | | | | |
| | Partners | 3,515 | 2,971 | -348 | 600 | 6,738 |
| | | 31,411 | 3,400 | -365 | 2,742 | 37,188 |
| Fixed Interest | | | | | | |
| Fixed Interest | | | | | | |
| | L&G | 45,914 | 6,400 | -1,850 | 1,218 | 51,682 |
| | Goldman | 76,109 | 20,000 | 0 | 1,240 | 97,349 |
| | | 122,023 | 26,400 | -1,850 | 2,458 | 149,031 |
| Index-Linked | | | | | | |
| | L&G | 16,324 | 0 | -575 | 1,062 | 16,811 |
| | | 16,324 | 0 | -575 | 1,062 | 16,811 |
| Hedge Funds | | | | | | |
| | Blackrock | 19,943 | 0 | 0 | 1,546 | 21,489 |
| | Fauchier | 20,479 | 0 | 0 | 318 | 20,797 |
| | | 40,422 | 0 | 0 | 1,864 | 42,286 |
| Private Equity | | | | | | |
| | HarbourVest | 2,163 | 14,093 | -143 | 432 | 16,545 |
| | | 2,163 | 14,093 | -143 | 432 | 16,545 |
| Global Tactical Asset Allocation | | | | | | |
| | Blackrock (ex BGI) | 16,761 | 0 | 0 | 976 | 17,737 |
| | | 16,761 | 0 | 0 | 976 | 17,737 |
| Cash funds | | | | | | |
| | L&G | 12,104 | 2,893 | -3,268 | 363 | 12,092 |
| | Schroders | 159 | 201 | 0 | 1 | 361 |
| | | 12,263 | 3,094 | -3,268 | 364 | 12,453 |
| TOTAL | | 937,228 | 248,148 | -178,008 | 47,083 | 1,054,451 |
| Cash | | 77,105 | | | 19,919 | 51,662 |
| TOTAL | | 1,014,333 | | | 67,002 | 1,106,113 |

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 £334,248 (2009/10: £372,621). 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 31st March 2011:

| | Value as at the 31/03/2010 £'000 | Proportion of Net Asset % | Value as at the 31/03/2011 £'000 | Proportion of Net Asset % |
|---------------------|--|------------------------------------|--|------------------------------------|
| L&G UK Equity Index | 115,468 | 11.4 | 119,253 | 10.8 |

14. Realised Profit on the Sale of Investments

| 2009/10 £'000 | 2010/11 £'000 |
|--|----------------------|
| -742 U.K. Equities | 7,258 |
| 16,205 Overseas | 20,179 |
| 28 Property Fund | 2 |
| 319 Cash Fund | 0 |
| <u>15,810</u> Net Profit / Loss (-) | <u>27,439</u> |

CITY & COUNTY OF SWANSEA PENSION FUND

15. Fixed Interest and Index Linked Investments

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

| 2009/10 | 2010/11 |
|-------------------------|----------------|
| £'000 | £'000 |
| 84,556 UK Public Sector | 62,559 |
| 53,791 Other | 103,283 |
| <u>138,347</u> Total | <u>165,842</u> |

16. Current Assets and Liabilities

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

| 2009/10 | 2010/11 |
|-------------------------------------|---------------|
| £'000 | £'000 |
| Current Assets | |
| 2,991 Contributions | 2,697 |
| 1,008 Dividends Due | 1,334 |
| 1,842 Other | 4,250 |
| <u>5,841</u> | <u>8,281</u> |
| Current Liabilities | |
| -847 Investment Management Expenses | -527 |
| -2,516 Other | -2,895 |
| <u>-3,363</u> | <u>-3,422</u> |
| <u>2,478</u> Net | <u>4,859</u> |

Analysed as:

| 2009/10 | 2010/11 |
|---------------------------------------|---------------|
| £'000 | £'000 |
| Current Assets | |
| 37 Central Government Bodies | 716 |
| 3,866 Other Local Authorities | 4,866 |
| 1,938 Other Entities and Individuals | 2,699 |
| <u>5,841</u> | <u>8,281</u> |
| Current Liabilities | |
| -725 Central Government Bodies | -4 |
| -203 Other Local Authorities | -600 |
| -2,435 Other Entities and Individuals | -2,818 |
| <u>-3,363</u> | <u>-3,422</u> |
| <u>2,478</u> Net | <u>4,859</u> |

CITY & COUNTY OF SWANSEA PENSION FUND

Current Assets & Liabilities Cont'd

Early Access Debtor

| | Instalment Due 2011/12 £'000 | Instalment Due 2012/13 £'000 | Instalment Due 2013/14 £'000 | Instalment Due 2014/15 £'000 | Total £'000 |
|-------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|----------------|
| Early Access Principal Debtor | 1,512 | 197 | 100 | 47 | 1,856 |
| Early Access Interest Debtor | 19 | 15 | 8 | 4 | 46 |
| Total (Gross) | 1,531 | 212 | 108 | 51 | 1,902 |

17. Capital and Contractual Commitments

As at 31st March 2011 the Scheme was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £37.1m (2009/10: £32.6m).

18. Actuarial Report Extract from Pension Fund Annual Report and Accounts Applicable For Financial Year 2010/11

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 applicable actuarial investigation into the financial position of the fund was completed on the 31st March 2007, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997. For information, the latest actuarial valuation took place on the 31st March 2010, however the new certificate is not applicable until 1st April 2011.

Actuarial Position

1. Rates of contributions paid by the participating Employers during 2010/11 were based on the actuarial valuation carried out as at 31st March 2007.

2. The valuation as at 31st 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 1st 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 1st April 2008.

Less

- 1.8% of pensionable pay in respect of assumed additional investment returns over the period to 1st 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 1st 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 1st April 2008 to 31st March 2011 are set out in a certificate dated 28th 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 1st 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 as per the actuarial valuation which was carried out as at 31st 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 31st 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.

8. IAS26 requires the actuarial present value of the promised retirement benefits to be disclosed. Actuarial present value of the promised retirement benefits as at 31st March 2011 £1,819.4m (31st March 2007 £1,418.9m).

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 2010/11

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 1st April 2008 to 31st 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 1st 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 | 20.0 | 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 | N/A |
| Gorseinon College of Further Education | 18.6 | 18.6 | N/A |
| Gower College | N/A | N/A | 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 | 17.0 | 19.0 | 21.1 |
| Cilybebyll Community Council | 17.3 | 18.0 | 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 | 16.0 | 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.

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

- £657,445 (£528,494 09/10) 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)

The Communities and Local Government Department (CLG) issued Statutory Instrument 2010 No. 2090 which introduced the following provisions to the LGPS with effect from 30th September 2010 -

- To increase the choices open to members who leave the Scheme and later re-join following their re-employment in Local Government, they are now permitted to aggregate any of their previous periods of membership, not just the immediately preceding one, providing that they elect to do so in the first 12 months of their new period of membership.
- Additionally, until 1st October 2011 there is the opportunity for all active members to aggregate in this way, not only those who re-join after the amendment comes into force.
- To enable an administering authority to determine how and to whom benefits may be paid for the benefit of the person entitled in respect of payments for persons incapable of managing their affairs.

Pensions Increase

Pensions are increased annually under the Pensions Increase Act as prescribed by Social Security legislation in line with the upgrading of various state benefits. For 2010/11 the increase was 3.1%.

Tax Reform

The Treasury published plans for the restriction of tax relief on pension benefits on 14th October 2010.

Annual Allowance - the amount pension benefits may increase each year before tax is charged reduced from £255,000 to £50,000 from April 2011.

Lifetime Allowance - the total value of all pension benefits built up to retirement before tax is charged reduced from £1.8 million to £1.5 million from April 2012.

Independent Public Service Pensions Commission

On 11th May 2010 Conservative and Liberal Democrat Coalition Government agreed to establish an independent commission to review the long term affordability of public sector pensions, while protecting accrued rights. The Chancellor of the Exchequer presented the Emergency Budget on the 22nd June 2010 and confirmed -

- Public Service pensions to increase in line with the Consumer Price Index instead of the Retail Price Index with effect from April 2011.
- Public Sector pay will be frozen for 2 years unless the worker earns less than £21,000 per annum.
- The independent commission to be headed by Lord Hutton, to undertake a "fundamental, structural review of public sector pensions" and consider the case for short term savings by September 2010.

The Independent Public Service Pensions Commission issued its interim report on 7th October 2010.

CITY & COUNTY OF SWANSEA PENSION FUND

In the short term, the Commission believed the best way to make further savings is to increase the contribution rate of members with some sort of protection for the low paid.

As regards the long-term, the report accepted that the final salary defined benefits scheme will have to be reformed, but a move to a standard defined contribution scheme would not be appropriate.

The Commission identified four principals which should govern the reform of the public sector pensions .

- affordable and sustainable
- adequate and fair
- support productivity
- transparent and simple.

The Government accepted the findings of the Commission which highlighted the importance of providing good quality pensions to public servants, rejected a race to the bottom in pension provision, but concluded that there is a clear rationale for public servants to make a greater contribution.

It would -

- commit to continue with a form of defined benefits pension;
- increase employee contributions by three percentage points to be phased in from 2012/13 to 2014/15.

The Commission issued its final report on 10th March 2011 and made 27 recommendations for the reform of public service pension schemes. The main ones that will have implications for the Local Government Pension Scheme (LGPS) were -

- the LGPS is to remain funded and accrued rights in the LGPS should be honoured in full;
- all LGPS members to be moved to the new career average revalued earnings (CARE) schemes by 2015;
- significant increase in employee contributions and changes in governance and reporting arrangements.

The recommendations were accepted by the Government who confirmed that proposals would be set out in the autumn of 2011.

21. Investment Fund Management

The investment of the Fund is the responsibility of the Investment Panel. The Panel as at 31st March 2011 comprised of -

- 5 Council Members (one member from Neath Port Talbot CBC representing other scheme)
- 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)

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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 £1,150,782 (£650,001 2009/10) in Prudential, £482,638 (£538,924 2009/10) in Equitable Life and £1,846,243 (£2,128,452 09/10) in Scottish Equitable.

| <i>AVC Provider</i> | Value of Funds at 01/04/10 | Contributions In/Out | Purchases at Cost | Sale Proceeds | Change in Market Value | Value of Funds at 31/03/11 |
|---------------------|----------------------------|----------------------|-------------------|---------------|------------------------|----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Prudential | 650 | 844 | 849 | -363 | 15 | 1,151 |
| Scottish Equitable | 2,128 | 151 | 151 | -527 | 94 | 1,846 |
| Equitable Life | 539 | 4 | 4 | -82 | 22 | 483 |
| Totals | 3,317 | 999 | 1,004 | -972 | 131 | 3,480 |

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24. SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES AS AT 31 MARCH 2011

| Scheduled Bodies | Contributors | Pensioners | Deferred Benefits | % of Pensionable Pay |
|---|---------------|--------------|-------------------|----------------------|
| City & County of Swansea | 7,621 | 3,718 | 3,333 | 20.5 |
| Neath Port Talbot County Borough Council | 5,464 | 2,445 | 3,046 | 20.7 |
| Briton Ferry Town Council | 0 | 1 | 2 | - |
| Cilybebyll Community Council | 2 | 0 | 1 | 18.7 |
| Clydach Community Council | 0 | 0 | 1 | - |
| Coedffranc Community Council | 4 | 1 | 1 | 26.2 |
| Gower College | 379 | 128 | 328 | 18.6 |
| Lliw Valley BC | 0 | 283 | 37 | - |
| Margam Joint Cremation Committee | 4 | 12 | 4 | 26.2 |
| Neath Port Talbot College | 300 | 102 | 129 | 20.2 |
| Neath Port Talbot Waste Management Co. Ltd. | 0 | 1 | 0 | - |
| Neath Town Council | 6 | 8 | 7 | 26.2 |
| Pelenna Community Council | 5 | 0 | 0 | 18.8 |
| Pontardawe Town Council | 5 | 1 | 0 | 20.2 |
| Swansea Bay Port Health Authority | 3 | 7 | 4 | 26.2 |
| Swansea City Waste Disposal Company | 11 | 16 | 3 | 18.2 |
| | | | Plus £33,300 | |
| Swansea Metropolitan University | 217 | 89 | 128 | 20.6 |
| West Glamorgan County Council | 0 | 2,643 | 430 | - |
| West Glamorgan Magistrates Courts | 0 | 40 | 19 | - |
| West Glamorgan Probation Service | 0 | 66 | 9 | - |
| West Glamorgan Valuation Panel | 0 | 5 | 0 | - |
| Admitted Bodies | | | | |
| BABTIE | 7 | 2 | 5 | 14.6 |
| Cap Gemini | 16 | 0 | 2 | 13.7 |
| Celtic Community Leisure | 88 | 24 | 83 | 14.3 |
| Colin Laver Heating Limited | 3 | 0 | 1 | 19.7 |
| NPT Homes | 345 | 1 | 0 | 15.1 |
| Phoenix Trust | 7 | 0 | 3 | 22.8 |
| Swansea Bay Racial Equality Council | 3 | 0 | 0 | 21.1 |
| The Careers Business | 0 | 3 | 12 | - |
| Wales National Pool | 34 | 3 | 25 | 14.5 |
| West Wales Arts Association | 0 | 1 | 1 | - |
| Total | 14,524 | 9,600 | 7,614 | |

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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 2011 there were 14,524 contributors, 9,600 pensioners and 7,614 deferred pensioners.

| Membership statistics | 31/03/2007 | 31/03/2008 | 31/03/2009 | 31/03/2010 | 31/03/2011 |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contributors | 15,049 | 14,805 | 15,274 | 14,744 | 14,524 |
| Pensioners | 8,634 | 8,897 | 9,105 | 9,302 | 9,600 |
| Deferred Pensioners | 4,937 | 5,877 | 6,409 | 7,248 | 7,614 |
| Total | 28,620 | 29,579 | 30,788 | 31,294 | 31,738 |

25. FAIR VALUE OF INVESTMENTS

Financial Instruments

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

Financial Instruments - Fair Value Through Profit and Loss

Pension fund assets have been assessed at fair value through profit and loss in line with IAS 39.

Financial Instruments - Gains and Losses

Gains and losses on Financial Instruments have been disclosed within notes 9 and 14 of the pension fund accounts.

Fair Value – Valuation Bases

Investments are shown in the accounts at fair value as at 31st March 2011 on the following bases.

- UK and overseas listed securities are valued within the respective pooled vehicles using the official bid prices quoted on the relevant stock exchange. Overseas holdings are converted to sterling at an exchange rate quoted at close of business on 31st March 2011.
- Unit trusts are valued at the bid market/fund manager's price.
- Other pooled vehicles are valued at the bid point of the latest process quoted by their respective managers or fund administrators at 31st March 2011. Where a bid price is not available the assets are priced at the net asset value provided.
- Property funds are valued at the bid market price, which is based upon regular independent valuation of the pooled vehicle's underlying property holdings.
- Private equity holdings are interests in limited partnerships. These holdings are valued based upon the Fund's share of the net assets of the partnership according to the latest financial statements published by the respective managers. Where these valuations are not at the Fund's balance sheet date, the valuations are adjusted having due regard to the latest dealings, asset values and other financial information available at the time of preparing these statements in order to reflect the Fund's balance sheet date. The managers' valuation statements are prepared in accordance with the European Private Equity and Venture Capital Association (EVCA) Guildelines, net of carried interest. These incorporate the US-based FAS157 protocol on valuation approaches -
- Market – uses prices and other relevant data generated by market transactions involving identical or comparable assets/liabilities (e.g. money multiples).

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- Income – uses valuation techniques to convert expected future amounts to a single present amount (discounted cash flows or earnings).
- Cost – based upon the amount that currently would be required to replace the service capacity of an asset (adjusted for obsolescence).

Managers are required “to use the method that is appropriate in the circumstances and for which sufficient data is used and to apply the approach consistently until no longer appropriate.” It is also possible to use multiple or combinations of approaches. Most private equity managers use a combination of the “market” and “income” approaches.

It should be noted that the fund’s private equity manager is one of the few managers in the industry to have signed up to SAS 70.

- Funds of hedge funds and the GTAA fund are valued monthly to create a net asset value on the basis of the fund’s proportionate share of the value of underlying pools on a manager by manager basis. Generally the fair value of the fund’s investments in a related pool represents the amount that the fund could be reasonably expected to receive from the pool if the fund’s investment was redeemed at the date of valuation, based upon information reasonably available at the time that the valuation was made and that the fund believes to be reliable.

Fair Value – Hierarchy

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

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

The following table shows the position of the Fund’s assets at 31st March 2011 based upon this hierarchy.

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| | 31 March 2010 | | | | 31 March 2011 | | | |
|-----------------------------------|------------------|----------------|----------------|---------------|------------------|----------------|----------------|---------------|
| | Market Value | Level 1 | Level 2 | Level 3 | Market Value | Level 1 | Level 2 | Level 3 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Equities | | | | | | | | |
| UK Equities | 228,623 | 228,623 | | | 253,570 | 253,570 | | |
| Overseas Equities | 220,357 | 220,357 | | | 244,048 | 244,048 | | |
| Pooled Investment Vehicles | | | | | | | | |
| Fixed-Interest Funds | 76,110 | | 76,110 | | 97,349 | | 97,349 | |
| UK Equity | 115,468 | | 115,468 | | 119,253 | | 119,253 | |
| Overseas Equity | 131,413 | | 131,413 | | 145,529 | | 145,529 | |
| Fixed Interest | 45,913 | | 45,913 | | 51,682 | | 51,682 | |
| Index-linked | 16,324 | | 16,324 | | 16,811 | | 16,811 | |
| Property Unit Trust | 13,840 | | 13,840 | | 14,533 | | 14,533 | |
| Property Fund | 17,571 | | 14,056 | 3,515 | 22,655 | | 15,917 | 6,738 |
| Hedge Fund | 40,422 | | | 40,422 | 42,286 | | | 42,286 |
| Global Tactical Asset Allocation | 16,761 | | | 16,761 | 17,737 | | | 17,737 |
| Private Equity | 2,163 | | | 2,163 | 16,545 | | | 16,545 |
| | | | | | | | | |
| Cash | 89,368 | 89,368 | | | 64,115 | 64,115 | | |
| Total | 1,014,333 | 538,348 | 413,124 | 62,861 | 1,106,113 | 561,733 | 461,074 | 83,306 |

26. INVESTMENT RISKS

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

Procedures for Managing Risk

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

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

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

Manager Risk

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

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Credit Risk

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

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

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

- The Fund's active fixed-interest bond portfolio £97,349k is managed (by Goldman Sachs) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2011, the Fund's exposure to non-investment grade paper was 2.1% of the actively managed fixed income portfolio.
- On private equity the Fund's investments are almost entirely in the equity of the companies concerned. The Fund's private equity investments of £16,545K are managed by Harbourvest in a fund of funds portfolio.

On hedge fund of funds and multi-strategy vehicles, underlying managers have in place a broad range of derivatives. The Fund's exposure to hedge funds through its managers at 31st March 2011 is set out below with their relative exposure to credit risk.

| | March 2011 £'000 | Credit Exposure |
|-------------------|-----------------------------|------------------------|
| Fauchier Partners | 20,797 | 13.3% |
| Blackrock | 21,489 | 22.3% |

Liquidity Risk

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

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

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 82% of the Fund's value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at worst – often weekly or fortnightly.

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

The table below analyses the value of the Fund's investments at 31st March 2011 by liquidity profile.

| | Amounts at | | | | |
|--|-----------------------------|------------------|------------------------|-------------------------|---------------|
| | 31st March 2011 £000s | 1 month £000s | 2-3 months £000s | 6-12 months £000s | closed |
| Equities | | | | | |
| UK Equities | 253,570 | 253,570 | 0 | 0 | 0 |
| Overseas Equities | 244,048 | 244,048 | 0 | 0 | 0 |
| Pooled Investment Vehicles | | | | | |
| Fixed-Interest Funds | 97,349 | 97,349 | 0 | 0 | 0 |
| UK Equity | 119,253 | 119,253 | 0 | 0 | 0 |
| Overseas Equity | 145,529 | 145,529 | 0 | 0 | 0 |
| Fixed Interest | 51,682 | 51,682 | 0 | 0 | 0 |
| Index-linked | 16,811 | 16,811 | 0 | 0 | 0 |
| Property Unit Trust | 14,533 | 0 | 0 | 14,533 | 0 |
| Property Fund | 22,655 | 0 | 0 | 16,277 | 6378 |
| Hedge Fund | 42,286 | 0 | 0 | 42,286 | 0 |
| Global Tactical Asset Allocation | 17,737 | 0 | 0 | 17,737 | 0 |
| Private Equity | 16,545 | 0 | 0 | 0 | 16,545 |
| Deposits with banks and other financial institutions | 64,115 | 64,115 | 0 | 0 | 0 |
| Total | 1,106,113 | 992,357 | 0 | 90,833 | 22,923 |

CITY & COUNTY OF SWANSEA PENSION FUND

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

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4). In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 1997 to 2011.

This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation. As can be seen from the table, even using the conservative basis outlined above, around 89% of the portfolio is realisable within 1 month and 98% is realisable within 12 months.

Market Risk

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

Market risk is comprised of two elements –

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

The table below sets out an analysis of the Fund's market risk positions at 31 March 2011 by showing the amount invested in each asset class and through each manager within each main asset class, the index used as a benchmark, the target set for managers against this benchmark.

CITY & COUNTY OF SWANSEA PENSION FUND

| Asset Class | Asset Allocation | Fund Manager | | Benchmark | Performance |
|----------------------------------|------------------|-------------------------|---|---|---|
| | | Passive | Active | | |
| UK Equities | 34% +/- 5% | 14% | 20% Schroders | FTSE allshare | +3% p.a. over rolling 3year |
| Overseas Equities | 34% +/- 5% | 13% (L&G) | 21% JP Morgan and Aberdeen | FTSE World all share (ex UK) | +3% p.a. over rolling 3year |
| Global Fixed Interest | 15% +/- 5% | 6% (L&G) | 9% Goldman Sachs | Composite benchmark 1/3 enhanced Libor & 2/3 standard Barclays Capital Aggregate | Barclays Capital Aggregate +0.75% Libor +3% over rolling 3year |
| Property | 5% +/- 5% | - | 5% Schroders and Partners | To be determined | + 1% p.a. over rolling 3 year |
| Hedge Funds | 5% +/- 5% | - | 5% Blackrock and Fauchier | LIBOR | +4% |
| Private Equity | 3% +/- 5% | - | 3% Harbourvest | FTSE allshare | +3% p.a. over 3 year rolling |
| Global Tactical Asset Allocation | 2% +/- 5% | - | 2% Blackrock | LIBOR | +4% over 3 year rolling |
| Cash | 2% +/- 5% | - | 2% in house and cash flows of fund managers | 7day LIBID | = |
| TOTAL | 100% | 33% | 67% | | |

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

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

27. 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 2011, available from the Chief Treasury & Technical Officer, Civic Centre, Oystermouth Rd, Swansea SA1 3SN.

28. The accounts outlined within the statement represent the financial position of the City and County of Swansea's Pension Fund at 31st March 2011.

GROUP ACCOUNTS

Introduction

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

2. The CIPFA Code of Practice on Local Authority Accounting 2010/11 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 Limited (SCWDC) | Subsidiary |
| Wales National Pool Swansea (WNPS) | Joint Venture |
| National Waterfront Museum Swansea (NWMS) | Joint Venture |
| Swansea Stadium Management Company Limited (SSMC) | Associate |
| Bay Leisure Limited | Associate |

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

- Swansea City Waste Disposal Company Limited - Subsidiary

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

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

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

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

The net liabilities of Swansea City Waste Disposal Company Limited as at 31st March 2011 are £6.860m (2010 £8.587m).

- Wales National Pool Swansea – Joint Venture

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

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

GROUP ACCOUNTS

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

The net assets of Wales National Pool (Swansea) Limited at 31st March 2011 are zero (2010 zero).

- National Waterfront Museum Swansea (NWMS) - Joint Venture

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

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

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

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

The net assets of the National Waterfront Museum Swansea at 31st March 2011 are £19,621,596 (2010 £26,057,860).

- Swansea Stadium Management Company Limited (SSMC) – Associate

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

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

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

GROUP ACCOUNTS

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

Although the Authority is able to share in any surplus the Company may make on trading operations, it is indemnified from contributing to any loss under a specific supplementary Joint Venture Agreement made with the remaining shareholders during 2006. On the basis that the Company has been loss making during 2009/10 and 2010/11 the company's results have not been consolidated into the Group Accounts.

- Bay Leisure Limited – Associate

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

The LC was officially opened on 18th March 2008.

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

The Authority is obliged to consider funding requests from the Company on an annual basis and will commit each financial year to making payment in respect of an agreed management fee which is negotiated annually. No consolidation of the Company's results have been undertaken in 2009/10 or 2010/11 due to the immateriality of the Company's results.

The net assets of Bay Leisure Limited at 31st March 2011 is £14,680 (2010 £401,492).

- Swansea Bay Futures Limited

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

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

The net assets of Swansea Bay Futures Limited at 31st March 2011 is unknown (2010 £29,018).

- Swansea City Development Company Limited

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

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

GROUP ACCOUNTS

Following investigation the Authority has determined that there has been no loss incurred by the Authority in its dealings with the Company and it has been recommended to the Board of Directors that they should apply for the Company to be voluntarily struck off the Register of Companies maintained by Companies House.

4. The core Group Accounts for 2010/2011 consists of:-

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

5. Accounting Policies and Notes to the Accounting Statements

Notes have been provided to the Group Accounting Statements only where the disclosure for the Group differs from that required for the Local Authority due to the combination of the accounts of the various entities. Applicable Accounting Policies are outlined in Note 1 in the Notes to the Group Financial Statements.

6. Intra-group transactions and balances

Where necessary, transactions between the various Group members have been eliminated from the Group Income and Expenditure figures so as not to overstate these figures in the Group Income and Expenditure Statement. Similarly, balances owed between the Group members have been eliminated to the extent that they exist as at 31st March 2011.

7. Effect of IAS 19 Pension Liabilities on Group Reserves.

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

The requirement of IAS 19 in relation to Local Authority Accounts allows the creation of a debit reserve (the Pension Reserve) which effectively offsets the liabilities that have been created by the calculated deficit in relation to the pension fund as at 31st March 2011.

GROUP MOVEMENT IN RESERVES STATEMENT

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

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

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

GROUP MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 | Authority's Share of Subsidiaries, Associates and Joint Ventures £'000 | Total Group Reserves £'000 |
|--|-------------------------------|---|-------------------------------------|--------------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|--|-------------------------------|
| Balance at 1 April 2009 | 6,664 | 55,190 | 10,566 | 11,326 | 9,612 | 93,358 | 149,350 | 242,708 | 5,374 | 248,082 |
| Movement in reserves during 2009/10 | | | | | | | | | | |
| Surplus or (deficit) on the provision of services | -29,121 | 0 | -4,231 | 0 | 0 | -33,352 | 0 | -33,352 | -596 | -33,948 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | -87,384 | -87,384 | -336 | -87,720 |
| Total Comprehensive Income and Expenditure | -29,121 | 0 | -4,231 | 0 | 0 | -33,352 | -87,384 | -120,736 | -932 | -121,668 |
| Adjustments between accounting basis & funding basis under regulations | 26,813 | 0 | 5,023 | -1,304 | 3,153 | 33,685 | -33,685 | 0 | 0 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | -2,308 | 0 | 792 | -1,304 | 3,153 | 333 | -121,069 | -120,736 | -932 | -121,668 |
| Transfers to/from Earmarked Reserves | 5,253 | -5,253 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/Decrease in 2009/10 | 2,945 | -5,253 | 792 | -1,304 | 3,153 | 333 | -121,069 | -120,736 | -932 | -121,668 |
| Balance at 31 March 2010 carried forward | 9,609 | 49,937 | 11,358 | 10,022 | 12,765 | 93,691 | 28,281 | 121,972 | 4,442 | 126,414 |

GROUP MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 | Authority's Share of Subsidiaries, Associates and Joint Ventures £'000 | Total Group Reserves £'000 |
|--|-------------------------------|---|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|--|-------------------------------|
| Balance at 31 March 2010 brought forward | 9,609 | 49,937 | 11,358 | 10,022 | 12,765 | 93,691 | 28,281 | 121,972 | 4,442 | 126,414 |
| Movement in reserves during 2010/11 | | | | | | | | | | |
| Surplus or (deficit) on the provision of services | 87,530 | 0 | 233 | 0 | 0 | 87,763 | 0 | 87,763 | -2,210 | 85,553 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 95,541 | 95,541 | -2,816 | 92,725 |
| Total Comprehensive Income and Expenditure | 87,530 | 0 | 233 | 0 | 0 | 87,763 | 95,541 | 183,304 | -5,026 | 178,278 |
| Adjustments between accounting basis & funding basis under regulations | -90,734 | 0 | 3,644 | 6,906 | 1,286 | -78,898 | 78,898 | 0 | 0 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | -3,204 | 0 | 3,877 | 6,906 | 1,286 | 8,865 | 174,439 | 183,304 | -5,026 | 178,278 |
| Transfers to/from Earmarked Reserves | -178 | 274 | -96 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/Decrease in Year | -3,382 | 274 | 3,781 | 6,906 | 1,286 | 8,865 | 174,439 | 183,304 | -5,026 | 178,278 |
| Balance at 31 March 2011 carried forward | 6,227 | 50,211 | 15,139 | 16,928 | 14,051 | 102,556 | 202,720 | 305,276 | -584 | 304,692 |

GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

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

| Restated 2009/10 | | | 2010/11 | | |
|------------------------------|-------------------------|------------------------------|------------------------------|-------------------------|---|
| Gross | Gross | Net | Gross | Gross | Net |
| Expenditure £'000 | Income £'000 | Expenditure £'000 | Expenditure £'000 | Income £'000 | Expenditure £'000 |
| 24,641 | -20,872 | 3,769 | 34,660 | -22,348 | 12,312 |
| | | | | | Central services to the public |
| 103,746 | -37,593 | 66,153 | 118,606 | -47,833 | 70,773 |
| | | | | | Cultural, environmental, regulatory and planning services |
| 255,773 | -49,176 | 206,597 | 266,229 | -51,242 | 214,987 |
| | | | | | Education and children's services |
| 31,363 | -11,831 | 19,532 | 35,695 | -14,093 | 21,602 |
| | | | | | Highways and transport services |
| 53,099 | -44,681 | 8,418 | 49,764 | -45,837 | 3,927 |
| | | | | | Local authority housing (HRA) |
| 89,583 | -86,705 | 2,878 | 102,689 | -100,203 | 2,486 |
| | | | | | Other housing services |
| 90,768 | -25,184 | 65,584 | 93,015 | -26,883 | 66,132 |
| | | | | | Adult social care |
| 12,546 | -10,188 | 2,358 | 28,372 | -8,916 | 19,456 |
| | | | | | Corporate and democratic core |
| 9,084 | 0 | 9,084 | 8,495 | 4 | 8,499 |
| | | | | | Non distributed costs |
| 0 | 0 | 0 | -114,213 | 0 | -114,213 |
| | | | | | Exceptional Item |
| 670,603 | -286,230 | 384,373 | 623,312 | -317,351 | 305,961 |
| | | | | | Cost of Services |

GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

| | 2009/10 | | | | 2010/11 | | |
|----------------------|-----------------|----------------------|--|----------------------|-----------------|----------------------|--|
| Gross | Gross | Net | | Gross | Gross | Net | |
| Expenditure £'000 | Income £'000 | Expenditure £'000 | | Expenditure £'000 | Income £'000 | Expenditure £'000 | |
| 24,922 | -4,706 | 20,216 | Other operating expenditure | 25,982 | 0 | 25,982 | |
| 52,921 | -8,907 | 44,014 | Financing and investment income and expenditure (Note 13) | 18,217 | -6,899 | 11,318 | |
| 0 | -414,750 | <u>-414,750</u> | Taxation and non-specific grant income (Note 14) | 0 | -428,931 | <u>-428,931</u> | |
| | | 33,853 | (Surplus) or Deficit on Provision of Services | | | -85,670 | |
| | | 108 | Share of the surplus or deficit on the provision of services by associates and joint ventures | | | 117 | |
| | | -13 | Tax expenses of subsidiaries | | | 0 | |
| | | <u>0</u> | Tax expense of associates | | | <u>0</u> | |
| | | 33,948 | Group (Surplus)/ Deficit | | | -85,553 | |

GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

| 2009/10 | | | 2010/11 | | |
|----------------------|-----------------|---|----------------------|-----------------|----------------------|
| Gross | Gross | Net | Gross | Gross | Net |
| Expenditure £'000 | Income £'000 | Expenditure £'000 | Expenditure £'000 | Income £'000 | Expenditure £'000 |
| | | Surplus or deficit on revaluation of Property, Plant and Equipment assets | | | -29,441 |
| | | -35,399 | | | |
| | | Actuarial gains / losses on pension assets / liabilities | | | -66,385 |
| | | 123,119 | | | |
| | | Share of other comprehensive income and expenditure of associates and joint ventures | | | 3,101 |
| | | 0 | | | |
| | | Other Comprehensive Income and Expenditure Total | | | -92,725 |
| | | 87,720 | | | |
| | | Comprehensive Income and Expenditure | | | -178,278 |
| | | 121,668 | | | |

GROUP BALANCE SHEET

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

| Restated | | | |
|------------------|------------------|--|------------------|
| 1 April | 31 March | | 31 March |
| 2009 | 2010 | | 2011 |
| £'000 | £'000 | | £'000 |
| | | Property, Plant & Equipment | |
| 82,732 | 90,653 | Council dwellings | 103,064 |
| 513,428 | 539,279 | Other land and buildings | 536,090 |
| 19,242 | 18,340 | Vehicles, plant, furniture and equipment | 16,546 |
| 218,448 | 216,165 | Infrastructure assets | 218,054 |
| 13,875 | 13,447 | Community assets | 12,633 |
| 675 | 675 | Surplus assets | 2,729 |
| 20,503 | 8,611 | Assets under construction | 1,696 |
| 868,903 | 887,170 | | 890,812 |
| 116,828 | 112,508 | Investment Property | 121,840 |
| 2,290 | 1,904 | Intangible Assets | 3,289 |
| 11,275 | 8,415 | Long Term Investments | 5,508 |
| 13,136 | 13,029 | Investments in Associates and Joint Ventures | 9,811 |
| 274 | 303 | Long Term Debtors | 268 |
| 1,012,706 | 1,023,329 | Long Term Assets | 1,031,528 |
| 82,473 | 52,493 | Short Term Investments | 86,064 |
| 3,134 | 3,968 | Assets Held for Sale | 1,387 |
| 1,879 | 1,809 | Inventories | 1,882 |
| 47,544 | 60,796 | Short Term Debtors (Note 8) | 45,261 |
| 0 | 9,132 | Cash and Cash Equivalents | 8,660 |
| 135,030 | 128,198 | Current Assets | 143,254 |
| -2,409 | 0 | Cash and Cash Equivalents | 0 |
| -11,381 | -7,102 | Short Term Borrowing | -7,240 |

GROUP BALANCE SHEET

| 1 April 2009 £'000 | 31 March 2010 £'000 | | 31 March 2011 £'000 |
|------------------------------------|---------------------------|---|---------------------------|
| -64,866 | -55,278 | Short Term Creditors (Note 9) | -54,969 |
| -11,934 | -5,222 | Provisions | -5,367 |
| -90,590 | -67,602 | Current Liabilities | -67,576 |
| -5,842 | -7,092 | Long Term Creditors | -6,684 |
| -12,817 | -18,914 | Provisions | -36,278 |
| -344,438 | -342,626 | Long Term Borrowing | -336,510 |
| -445,967 | -588,879 | Other Long Term Liabilities | -423,042 |
| -809,064 | -957,511 | Long Term Liabilities | -802,514 |
| 248,082 | 126,414 | Net Assets | 304,692 |
| Usable Reserves | | | |
| 13,156 | 15,551 | Balances - General Fund | 6,596 |
| 10,566 | 11,358 | Balances - Housing Revenue Account | 15,139 |
| 11,326 | 10,022 | Capital Receipts Reserve | 16,928 |
| 9,612 | 12,765 | Capital Grants Unapplied Account | 14,051 |
| 55,190 | 49,937 | Earmarked Reserves | 50,211 |
| 99,850 | 99,633 | | 102,925 |
| Unusable Reserves (Note 12) | | | |
| 59,681 | 87,617 | Revaluation Reserve | 109,991 |
| -445,967 | -588,879 | Pensions Reserve | -423,042 |
| 543,438 | 530,024 | Capital Adjustment Account | 524,289 |
| 0 | 7,622 | Deferred Capital Receipts Reserve | 0 |
| -1,051 | -1,012 | Financial Instrument Adjustment Account | -1,053 |
| -7,869 | -8,591 | Accumulated Absences Account | -8,418 |
| 148,232 | 26,781 | | 201,767 |
| 248,082 | 126,414 | Total Reserves | 304,692 |

GROUP CASH FLOW STATEMENT

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

| <u>2009/10</u> <u>£'000</u> | <u>2010/11</u> <u>£'000</u> |
|--|--|
| -33,853 Net deficit on the provision of services | 85,670 |
| Adjustments to net surplus or deficit on the provision of services for 61,982 non-cash movements | -2,567 |
| Adjustments for items included in the net surplus or deficit on the -34,258 provision of services that are investing and finance activities | -35,607 |
| -6,129 Net cash flows from operating activities (note 15) | 47,496 |
| 26,575 Investing activities (note 16) | -41,990 |
| -8,905 Financing activities (note 17) | -5,978 |
| 11,541 Net increase or decrease in cash and cash equivalents | -472 |
| -2,409 Cash and cash equivalents at the beginning of the operating period | 9,132 |
| Cash and cash equivalents at the end of the operating period 9,132 (note 11) | 8,660 |

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Intra-Group Transactions

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

| <u>2009/2010</u> | | <u>2010/2011</u> |
|------------------|---|------------------|
| <u>£'000</u> | | <u>£'000</u> |
| | | |
| 9,623 | Sales to City & County of Swansea | 8,314 |
| -691 | Purchases from City & County of Swansea | -959 |
| -98 | Rent, Rates & Royalties | -199 |
| 855 | Debtors | 840 |
| -192 | Creditors | -163 |

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 Limited contributes to the CCS Pension Fund, at a common rate applicable to a group of employers which is set having regard to the assets and liabilities of the group as a whole.

The Swansea City Waste Disposal Company Limited contributions to the scheme for the year ended 31st March 2011 amounted to £76k (2010: £79k).

Further analysis can be found in the Notes to the City & County of Swansea Pension Fund (pages 140 to 169).

4. Tax on Profit on Ordinary Activities

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

There was no tax chargeable for 2010/11 and a tax credit of £13k for 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:

| 31st March | | 31st March |
|---------------------|--|---------------------|
| <u>2010</u> | | <u>2011</u> |
| <u>£'000</u> | | <u>£'000</u> |
| | | |
| 709,351 | City & County of Swansea (Parent) | 727,365 |
| -7,087 | Swansea City Waste Disposal Company Limited (Subsidiary) | -9,442 |
| 13,029 | National Waterfront Museum Swansea (Joint Venture) | 9,811 |
| 0 | Wales National Pool Swansea (Joint Venture) | 0 |
| | | |
| 715,293 | Net Assets Employed (exc. Pension Fund) | 727,734 |
| | | |
| -588,879 | Net Group Pension Fund Liabilities | -423,042 |
| | | |
| 126,414 | Net Assets Employed | 304,692 |

6. Construction of the Group Accounts

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

Swansea City Waste Disposal Company Limited - Management Accounts for the year ending 31st March 2011

National Waterfront Museum Swansea - Draft Annual Accounts for the year ending 31st March 2011

Wales National Pool Swansea - Annual report 31st July 2010 (audited).

In the opinion of the Authority the use of the above information is likely to adequately reflect the extent and nature of group income and expenditure and assets and liabilities that exist as at 31st March 2011 and the use of current information would not be significant in relation to the group position as stated.

The 2008/09 and 2009/10 Group Accounts have been restated in line with International Financial Reporting Standards (IFRS) and the actual final accounts of the group companies.

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 Authority will be limited to the value of the guarantee in each entity.

NOTES TO THE GROUP FINANCIAL STATEMENTS

8. Debtors

| 1st April 2009 £'000 | | 31st March 2010 £'000 | 31st March 2011 £'000 |
|----------------------------|---------------------------------------|-----------------------------|-----------------------------|
| 25,637 | Central government bodies | 25,925 | 22,572 |
| 1,841 | Other local authorities | 3,476 | 556 |
| 3,140 | NHS bodies | 6,973 | 1,056 |
| 268 | Public corporations and trading funds | 170 | 90 |
| 16,658 | Other entities and individuals | 24,252 | 20,987 |
| 47,544 | | 60,796 | 45,261 |

9. Creditors

| 1st April 2009 £'000 | | 31st March 2010 £'000 | 31st March 2011 £'000 |
|----------------------------|---------------------------------------|-----------------------------|-----------------------------|
| 12,516 | Central government bodies | 10,501 | 9,531 |
| 5,626 | Other local authorities | 4,079 | 4,073 |
| 688 | NHS bodies | 842 | 720 |
| 1,250 | Public corporations and trading funds | 194 | 535 |
| 44,786 | Other entities and individuals | 39,662 | 40,110 |
| 64,866 | | 55,278 | 54,969 |

NOTES TO THE GROUP FINANCIAL STATEMENTS

10. Provisions

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

2010/11

Short - term and long - term

| | £'000 | Outstanding Legal Cases | Injury and Damage Compensation Claims | £'000 | Employee Benefits | £'000 | Other Provisions* | £'000 | Total £'000 |
|---------------------------------------|------------|----------------------------|--|---------------|----------------------|-------|----------------------|---------------|----------------|
| Balance at 1 April 2010 | 266 | | 9,746 | 3,621 | 10,503 | | | 24,136 | |
| Additional provisions made in 2010/11 | 36 | | 12,454 | 14,906 | 4,540 | | | 31,936 | |
| Amounts used in 2010/11 | -31 | | -13,646 | -479 | -271 | | | -14,427 | |
| Unused amounts reversed in 2010/11 | | | | 0 | | | | 0 | |
| Balance at 31 March 2011 | 271 | | 8,554 | 18,048 | 14,772 | | | 41,645 | |

2009/10

Short - term and long - term

| | £'000 | Outstanding Legal Cases | Injury and Damage Compensation Claims | £'000 | Employee Benefits | £'000 | Other Provisions | £'000 | Total £'000 |
|---------------------------------------|------------|----------------------------|--|--------------|----------------------|-------|---------------------|---------------|----------------|
| Balance at 1 April 2009 | 198 | | 10,788 | 3,373 | 10,392 | | | 24,751 | |
| Additional provisions made in 2009/10 | 200 | | 6,163 | 421 | 259 | | | 7,043 | |
| Amounts used in 2009/10 | -132 | | -7,204 | -174 | -148 | | | -7,658 | |
| Unused amounts reversed in 2009/10 | 0 | | 0 | 0 | 0 | | | 0 | |
| Balance at 1 April 2010 | 266 | | 9,747 | 3,620 | 10,503 | | | 24,136 | |

* Other provisions include £11.253m with respect to the Swansea City Waste Disposal Company Limited.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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

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

At 31 March 2011 the provision amounted to £11,253,000 (2010: £8,753,000), however the amount may be subject to significant variation as the extent to which the site can be utilised is determined eventually. The eventual closure and restoration costs of the landfill site will need to be assessed once the future development plans for the site are finalised. The costs to be incurred may need to be revised significantly at that time.

11. Cash and Cash Equivalents

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

| | 1st April 2009 | 31st March 2010 | 31st March 2011 |
|--|----------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 |
| Cash held by the Group | 527 | 473 | 438 |
| Bank current accounts | 19,821 | 48,410 | 23,222 |
| Bank overdraft | -22,757 | -39,751 | -15,000 |
| Total Cash and Cash Equivalents | -2,409 | 9,132 | 8,660 |

NOTES TO THE GROUP FINANCIAL STATEMENTS

12. Unusable Reserves

| 31st March 2010 £'000 | 31st March 2011 £'000 |
|---|--------------------------------------|
| 87,617 Revaluation Reserve | 109,991 |
| 530,024 Capital Adjustment Account | 524,289 |
| -1,012 Financial Instruments Adjustment Account | -1,053 |
| 7,622 Deferred Capital Receipts Reserve | 0 |
| -588,879 Pensions Reserve | -423,042 |
| -8,591 Accumulated Absences Account | -8,418 |
| <u>26,781</u> Total Unusable Reserves | <u>201,767</u> |

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 of the Authority's Financial Statements provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

NOTES TO THE GROUP FINANCIAL STATEMENTS

| 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|
| 543,438 Balance at 1st April | 530,024 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| Charges for depreciation and impairment of non-current assets | -73,029 |
| Charges for impairment of Assets Held for Sale | -569 |
| Revaluation losses on Property, Plant and Equipment | -4,738 |
| Amortisation of intangible assets | -456 |
| Revenue expenditure funded from capital under statute | -12,585 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | -4,923 |
| -74,014 | -96,300 |
| Adjusting amounts written out of the Revaluation Reserve | 7,203 |
| -65,288 | -89,097 |
| Capital financing applied in the year: | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 5,258 |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 37,364 |
| Reversed depreciation grants | 0 |
| Statutory provision for the financing of the capital investment charged against the General Fund and HRA balances | 15,829 |
| Capital expenditure charged against the HRA and General Fund balances | 4,164 |
| 53,918 | 62,615 |

NOTES TO THE GROUP FINANCIAL STATEMENTS

| 2009/10 £'000 | 2010/11 £'000 |
|---|------------------|
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | |
| -2,044 | 20,747 |
| 530,024 | 524,289 |

Balance at 31st March

Pensions Reserve

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

| 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|
| -445,967 Balance at 1st April | -588,879 |
| Actuarial gains or losses on pension assets and liabilities | 66,385 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | -48,037 |
| 0 Past service cost adjustment | 114,213 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 33,276 |
| 31,632 | |
| -588,879 | -423,042 |

Balance at 31st March

The remaining Unusable Reserves are not disclosed within the Group Notes as there is no group impact.

NOTES TO THE GROUP FINANCIAL STATEMENTS

13. Financing and Investment Income and Expenditure

| 2009/10 £'000 | 2010/11 £'000 |
|--|------------------|
| 19,309 Interest payable and similar charges | 18,958 |
| 31,040 Pensions interest cost and expected return on pension assets | 19,570 |
| -2,622 Interest receivable and similar income | -892 |
| -3,713 Income and expenditure in relation to investment properties and changes in their fair value | -26,318 |
| 44,014 | 11,318 |

14. Taxation and Non Specific Grant Incomes

| 2009/10 £'000 | 2010/11 £'000 |
|---|------------------|
| -92,556 Council tax income | -97,544 |
| -62,571 Non domestic rates | -65,411 |
| -231,359 Non-ringfenced government grants | -236,517 |
| -28,264 Capital grants and contributions | -29,459 |
| -414,750 | -428,931 |

15. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2009/10 £'000 | 2010/11 £'000 |
|-------------------------|------------------|
| 2,622 Interest received | 892 |
| -19,309 Interest paid | -18,958 |
| -16,687 | -18,066 |

NOTES TO THE GROUP FINANCIAL STATEMENTS

16. Cash Flow Statement - Investing Activities

| 2009/10 £'000 | | 2010/11 £'000 |
|----------------------|--|-----------------------|
| -49,399 | Purchase of property, plant and equipment, investment property and intangible assets | -59,117 |
| -334,750 | Purchases of long and short term investments | -577,315 |
| 1,818 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 12,185 |
| 360,700 | Proceeds from short-term and long-term investments | 546,650 |
| 48,206 | Other receipts from investing activities | 35,607 |
| <u>26,575</u> | Net cash flows from investing activities | <u>-41,990</u> |

17. Cash Flow Statement - Financing Activities

| 2009/10 £'000 | | 2010/11 £'000 |
|----------------------|---|----------------------|
| 1,173 | Cash receipts of short and long-term borrowing | 2,781 |
| -10,078 | Repayments of short and long-term borrowing | -8,759 |
| <u>-8,905</u> | Net cash flows from financing activities | <u>-5,978</u> |

HEAD OF FINANCE'S CERTIFICATE & STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

I hereby certify that the statement of accounts on pages 4 to 140 and pages 171 to 193 presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2011.

 06/02/13

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2011.

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 2010/11 Statement of Accounts was authorised for issue on 6th February 2013 by Mike Trubey, Head of Finance who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

The 2010/11 Statement of Accounts was formally approved by Council on 20th September 2012

Chairman

 6-2-13

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 revised accounting statements and related notes of:

- The City and County of Swansea; and
- The City and County of Swansea Group; and
- The City and County of Swansea Pension Fund

for the year ended 31 March 2011 under the Public Audit (Wales) Act 2004.

The City and County of Swansea's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The City and County of Swansea Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

The City and County of Swansea Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards (IFRSs).

These revised financial statements replace the original financial statements approved by the Council on 29 September 2011.

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 194, the responsible financial officer is responsible for the preparation of the statement of accounts, including group and pension fund accounts, which gives a true and fair view.

My responsibility is to audit the revised accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the revised accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the revised accounting statements and related notes sufficient to give reasonable assurance that the revised accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the City and County of Swansea's and City and County of Swansea Group's and City and County of Swansea Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the revised accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword and Sustainability and Environmental Reporting disclosure to identify material inconsistencies with the revised audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the Council are appropriate and have been properly made.

AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

Opinion on the revised accounting statements of the City and County of Swansea

In my opinion the revised accounting statements and related notes:

- give a true and fair view of the financial position of the City and County of Swansea as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Opinion on the revised accounting statements of the City and County of Swansea Group

In my opinion the revised accounting statements and related notes:

- give a true and fair view of the financial position of the City and County of Swansea Group as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Opinion on the revised accounting statements of City and County of Swansea Pension Fund

In my opinion, the revised pension fund accounts and related notes:

- give a true and fair view of the financial transactions of the City and County of Swansea Pension Fund during the year ended 31 March 2011 and of the amount and disposition of the fund's assets and liabilities as at that date; other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword and the Sustainability and Environmental Reporting disclosure for the financial year for which the revised accounting statements and related notes are prepared is consistent with the revised accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate

My report dated 30 September 2011 contained an audit opinion on the 2010-11 accounts and explained that the audit could not be formally concluded until I gave my opinion on the Pension Fund Annual Report, which was issued on 3 November 2011.

I certify that I have completed the audit of the accounts 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."



Date: 7 February 2013

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

AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

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

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which 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, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the City and County of Swansea for the year ended 31 March 2011 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:-

ANNUAL GOVERNANCE STATEMENT

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

3.2 Council approved its Code of Corporate Governance on 19th 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 annual **Corporate Improvement Plan** produced under the Local Government Act 1999 which provides a commentary on progress made in achieving targets and milestones. This Plan does not need to be produced after 2010/11.
- The forward looking **Corporate Improvement Plan** produced under the Local Government (Wales) Measure 2009 which summarises the Council's improvement objectives and associated priorities, targets and milestones.
- The Wales Audit Office produces a **Corporate Assessment Report** which answers the question – 'Are the arrangements of the Council likely to secure continuous improvement?'
- The Wales Audit Office undertakes a retrospective **Performance Assessment** and the Council produces a **Retrospective Performance Assessment and Plan** which reports on progress in achieving the previous year's Improvement Objectives, evidence of the progress to discharge the general duty to improve during the previous year, as well as performance indicator information, assessment of performance in comparison with others and a summary of collaborative activity.
- The Wales Audit Office produces an **Annual Improvement Report** under the Local Government (Wales) Measure 2009. The report is produced in association with other inspectors such as ESTYN and CSSIW and shows how well the Council is improving the services it provides.
- The Council's Appointed Auditor provides an **Annual Audit Letter** which highlights the key messages arising from the Appointed Auditor's statutory responsibilities.
- The **Community Strategy 2010 - 2014** which sets out the long term vision and Strategic Objectives for the area and how it is to be achieved as well as the short term priorities and how they are being tackled. The Strategy is overseen by the Better Swansea Partnership.

ANNUAL GOVERNANCE STATEMENT

- 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** to review all aspects of the Council Constitution and to make appropriate recommendations for change.
- In April 2010, Council agreed to change the arrangements for overview and scrutiny and created the following **Overview and Scrutiny Boards**
 - Child and Family Services
 - Children, Young People and Learning
 - Environment and Communities
 - Health, Social Care and Well-being
 - Performance and Finance.
- In addition, the Council has the following **Overview and Scrutiny Committees** which have a cross cutting and co-ordinating role
 - Overview and Scrutiny Business Committee
 - Partnership Overview and Scrutiny Committee.
- The role of Overview and Scrutiny is to improve the performance of services, to provide an effective challenge to the Executive and to engage non-executive members in the development of policies, strategies and plans. An **Overview and Scrutiny Annual Report** is presented to Council each year.
- A **Challenge Panel** consisting of 12 members considers any Cabinet decisions which have been 'called in' if the Chair of the Council accepts that the call in is valid. The criteria used by the Chair of the Council to decide on validity are tightly set and the Chair 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.
- An **Annual Business Conference** attended by Cabinet and Corporate Management Team is held to agree the Forward Looking Plan, identify the Corporate Risks, agree the priorities in the Medium Term Financial Plan and set the Strategic Programme.
- 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.

ANNUAL GOVERNANCE STATEMENT

- 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 Framework** 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 was designated the Council's **S151 Officer** during 2010/11 and was responsible for the proper administration of the Council's financial affairs and ensuring the lawfulness and financial prudence of transactions. Due to the appointment of the Executive Director as Chief Executive, Council at its meeting on 31/03/11 agreed to designate the Head of Finance as S151 Officer with effect from 01/04/11.
- The Council's financial management arrangements during 2010/11 complied with the governance requirements of the **CIPFA Statement on the Role of the Chief Financial Officer** in Local Government (2010). Arrangements have also been put in place to ensure that this will continue to be the case following the appointment of the Head of Finance as S151 Officer.
- 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.
- Council, at its meeting on 08/04/10 created an **Audit Committee** to monitor the work of the Internal Audit Section and the Council's external auditors.
- The Acting Head of Legal, Democratic Services and Procurement has been designated as the Council's **Monitoring Officer** and is responsible for investigating and reporting on any allegations of contraventions to any laws, policies, procedures, regulations or maladministration and breaches of the Council's Constitution.
- 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.
- The **Swansea Voices Citizens Panel** consists of a representative sample of 1,250 residents and provides a means for consulting on service provision and local issues. There is also a ward representative role for each councillor.

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- The **Swansea Leader** is published every 2 months and delivered to every household in the area informing local people about the Council's work and the progress it is making. An electronic version of the Swansea Leader is available on the Council's website.
- The Council is subject to **statutory external inspections** by various bodies including PricewaterhouseCoopers as external auditors, Wales Audit Office, ESTYN and CSSIW.
- There is a **performance management regime** which includes an annual appraisal with a half yearly review for all employees.
- The **Programme and Project Management regime** aims to ensure that developments have a sound business case based on good quality information and risks are managed through clear decision making frameworks including specific roles and responsibilities for key personnel.
- 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.
- 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 were issued by the Executive Director.
- **Performance Reports** are produced on a quarterly basis and reported to Cabinet as well as being monitored and challenged by the Performance and Finance Overview and Scrutiny Board. Performance results are certified at the end of the year and any inconsistencies are investigated.
- Use is made of the Council website to publish **information for stakeholders** including agendas and minutes of all Council, Cabinet, Committee and Overview and Scrutiny Board meetings.
- **Induction courses** are held for all new councillors and employees.

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

- Swansea City Waste Disposal Co. Ltd. (1 councillor)
- Wales National Pool Swansea Ltd. (3 councillors)
- National Waterfront Museum Swansea Ltd. (2 councillors)
- Swansea Stadium Management Co. Ltd. (2 councillors)
- Bay Leisure Ltd. (2 councillors)
- Swansea Bay Futures Ltd. (1 councillor)
- Swansea City Development Co. Ltd. (8 councillors).

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

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4. Review of Effectiveness

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

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

- The **Council** is made up of 72 councillors who are democratically accountable to residents and have an overriding duty to the whole community. Council decides overall policies and sets the annual budget as well as receiving reports from Overview and Scrutiny Boards, Cabinet Members and Officers. Council also provides a forum for public questions.
- The forward looking **Corporate Improvement Plan 2010/11** '*Making a Difference*' produced under the Local Government (Wales) Measure 2009 was adopted by Council on 17/05/10.
- The annual **Corporate Improvement Plan 2010/11** '*Meeting the Challenge*' produced under the extant elements of the Local Government Act 1999 was adopted by Council on 14/10/10. This Plan was produced in line with the transitional arrangements for the Local Government (Wales) Measure 2009 and does not need to be produced in future years.
- The Wales Audit Office presented its **Preliminary Corporate Assessment** to Cabinet on 26/08/10. The report stated that '*the main conclusion arising from the first Corporate Assessment is that some corporate arrangements have improved and are positively supporting improvement but there are still some weaknesses and that the Council's leadership now faces the challenge of delivering the necessary improvements in a very difficult fiscal environment*'.
- The Wales Audit Office presented its **Annual Improvement Report** to Council on 03/02/11. The Report's main message was '*that there had been improvement in the very significant area of Child and Family Services with a range of future challenges as the Council seeks to secure savings on a much greater scale than previously experienced. The Council will have to make tough and timely decisions about what services to deliver and what services may have to be stopped. The Council has some arrangements in place that will help it deliver future improvement but there are also some shortcomings that need to be addressed. Partnerships, project management and some aspects of resource management are strengths, but there are weaknesses in governance, business planning and risk management*'.
- The Appointed Auditor's **Annual Audit Letter** was sent to the Leader on 30/11/10 and stated that '*the City and County of Swansea complied with financial and performance improvement reporting requirements but is facing significant financial pressures in the near future*'. The letter also indicated that

ANNUAL GOVERNANCE STATEMENT

an unqualified audit opinion had been issued for the 2009/10 accounting statements.

- The Council meeting held on 25/02/10 approved the **Community Strategy 2010-2014**.
- The **Constitution Working Group** followed a detailed work plan during 2010/11 and made a number of reports to Council which amended the Council Constitution based on the work of the Group.
- The **Cabinet** (as Executive) is responsible for most day to day decisions and acts in line with the Council's overall policies and budget.
- Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Heads of Service reported on progress in terms of continuous improvement and budgets.
- Each Corporate Director attended a monthly **Strategic Programme Board** meeting which directly governed the most strategic initiatives being undertaken by the Council.
- Quarterly **Performance Monitoring Reports** were presented to Cabinet and to the Performance and Finance Overview and Scrutiny Board Task and Finish Group.
- Quarterly **Financial Monitoring Reports** were presented to Cabinet.
- The **Standards Committee** met on 7 occasions and the Annual Report of the Standards Committee 2009/10 was presented to Council on 19/08/10.
- 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 was reported to Council on 14/10/10.
- The **Audit Committee** met on 8 occasions during 2009/10. It received the Internal Audit Annual Report 2009/10 as well as quarterly Internal Audit monitoring reports for 2010/11 showing progress against the Annual Internal Audit Plan.
- The **Internal Audit Annual Report 2009/10** was reported to the Audit Committee on 11/08/10 and included the Chief Auditor's opinion that based on the audit reviews undertaken in 2009/10, Internal Audit can give reasonable assurance that the systems of internal control were operating adequately and effectively and that no significant weaknesses were identified.
- The **PwC Interim Audit Report 2009/10** which was presented to the Audit Committee on 06/10/10 stated that *'the Authority has made progress in implementing prior year recommendations. A number of low and medium risk recommendations have been raised to enhance the overall control environment'*.
- PwC also presented their **Audit of Accounting Statements – Report to Those Charged with Governance** to Cabinet on 16/09/10 and the Audit Committee on 06/10/10. 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 2009/10 accounting statements.
- A further **CSSIW inspection** of Child and Family Services was carried out during 2010/11. The inspection showed that overall performance had

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improved in the majority of areas and the Council was now better placed to continue to deliver further improvements. As a result WAG withdrew the Intervention Board.

- The **Corporate Complaints Policy** was in place throughout 2010/11 with the Complaints Annual Report 2009/10 being presented to Cabinet on 10/02/11 and the Standards Committee on 18/02/11.
- The **Medium Term Financial Plan 2012/13 – 2014/15** was approved by Council on 28/02/11.
- The **Corporate Risk Management Framework** was reviewed during 2010/11 and the Policy amended accordingly. Specific roles and responsibilities for key stakeholders have been identified. A Strategic Risk Group has been established with its primary role being to manage the Corporate Risk Register on behalf of the Corporate Management Team. It will also ensure that the Directorate Risk Co-ordinators regularly engage with their Departmental Management Teams and/or PFM meetings to review the risks. There will be an annual review of risks identified through the newly introduced Business Planning process. Corporate and Directorate Risk Registers are now managed and updated via a new online database.
- A new **Business Planning Process** was introduced during 2010/11 to replace the existing Service Planning arrangements. The new approach aims to more clearly align previously disparate budget and planning processes, such as equalities, sustainability and risk management into a 4 year planning cycle with an annual review.
- All reports presented to Cabinet and Council during 2010/11 had been reviewed by Finance and Legal staff and included the appropriate paragraphs detailing the **financial and legal implications** of the report.
- Each Corporate Director and Head of Service has provided a signed **Senior Management Assurance Statement** which provides assurance over the internal control, risk management and governance framework for their area of responsibility.

- 4.3 The Annual General Meeting of the Council held on 17/05/10 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 2010/11 to monitor the performance of the companies and to ensure good governance over their activities.
- 4.5 PwC, as external auditors undertook a review of the Swansea Stadium Management Company during 2010/11 in response to an elector's letter. PwC reported its findings to the Audit Committee on 21/03/11 which concluded that a public interest review and report was not required but identified the financial viability of the Company as a significant risk. Work is ongoing by officers to ensure that the financial issues are addressed in the Company's Business Plan for 2011/12.

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4.6 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 shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement 2009/10 and the action taken during the year to address the issues:-

| Issue | Proposed Action | Action Taken |
|---|---|---|
| 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. | Recommendations Tracker exercise completed and reported to Audit Committee on 21/01/11. New follow up process introduced for non fundamental audits from 01/04/10. |
| Compliance Agenda | Presentations at Top Managers and Senior Managers meetings. Periodic reminders to staff and reports to PFM meetings. | The compliance agenda was re-enforced at every available opportunity during the year. This included a reminder from the Chief Executive regarding the Spending Restriction requirements; discussions of significant audit findings with relevant staff; presentations at meetings on specific issues e.g. sickness monitoring requirements. PFM meetings received monthly management reports on key financial and management statistics including financial monitoring; accounts payable / receivable performance; progress in achieving savings and efficiency gains; sickness absences and agreed performance measures. Significant |

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| | | |
|-----------------------------|---|---|
| | | variations and compliance issues were regularly discussed. Compliance is also one of the 3 priorities put forward by the Chief Executive following his appointment in March 2011. |
| Review of Senior Management | Ensure governance arrangements are maintained during the process of management restructuring. | Management responsibilities were re-aligned following a small number of senior management changes. There are no issues to report. |
| 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. | The Corporate Risk Management Framework was agreed in principle by CMT subject to a small number of changes. The changes could not be made until we had fully engaged in consultation with all Heads of Service/Departmental Management Teams on the proposed introduction of the new Business Planning Process. A complete section on managing risk is included in the Business Planning Toolkit for managers. The business plans are due in May 2011 and all risks will be reviewed and monitored as part of DMT/PFM thereafter. The Council Objectives and Key Risks were discussed as part of the Leader and Chief Executive presentation to CMT/Cabinet at the Annual Business Conference in April and then form part of the Strategic Challenge for |

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| | | |
|---------------------|---|--|
| | | CMT throughout June 2011 where corporate risks and the management of those risks will be agreed. |
| 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. | Senior Management Assurance Statements have been completed and signed by all Corporate Directors and Heads of Service. The Statements were used to identify the Significant Governance Issues for 2011/12. |

5.2 The following table identifies issues which have been raised during the review of effectiveness and the proposed action to be taken during 2011/12 to address the issues:-

| Issue | Proposed Action |
|--|--|
| Explore ways of strengthening accountability for member behaviour and reducing the number of Ombudsman referrals | Review the action taken by the Council to improve member behaviour and reduce the number of Ombudsman referrals to ensure it has been successful. |
| Overview and Scrutiny Arrangements | Review existing arrangements to reflect potential reduced resources and the implications of the Local Government (Wales) Measure 2011. |
| Review of Senior Management and Early Retirement/Voluntary Redundancy Scheme | Ensure governance arrangements are maintained during the process of re-structuring of the top 4 tiers of management and in the management and supervision changes resulting from the ER/VR Scheme. |
| Risk Management | Review the operation of the Corporate Risk Management Framework to ensure the principles have been embedded across all services. |
| Business Planning | Ensure that the new Corporate Business Planning Process is implemented across all services during 2011/12. |
| Swansea Stadium Management Company | Ensure that SSMC operates in accordance with legal agreements so that the Council's interests are protected. |

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| | |
|--|--|
| Development of Business Case for the future model of service delivery for Adult Services | Ensure that appropriate governance arrangements are built into the development of the Business Case and any proposed changes to the model of service delivery. |
|--|--|

- 5.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the 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 

Date 22.6.11

Chief Executive

Signed 

Date 22.06.2011

Leader

SUSTAINABILITY & ENVIRONMENTAL REPORTING

The City and County of Swansea is committed to developing and supporting a community that is based upon sustainable development and has taken on sustainable development as one of its under-pinning, corporate principles, adopting its own Sustainable Development Policy and signing up to the Welsh Government's Declaration for Climate Change in 2006.

The City and County of Swansea defines sustainable development as:

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

The Welsh Government has a statutory duty in relation to sustainable development. Originally under the Government of Wales Act 1998 and now under the Government of Wales Act 2006 (Section 79), Welsh Ministers are required to make a scheme setting out how they propose, in the exercise of their functions, to promote sustainable development.

The Wales Programme for Improvement (WPI), under which local authorities are assessed, gives a duty to local authorities to, “improve the economic, social and environmental well-being of each area and its inhabitants and contribute to the achievement of sustainable development.” This requirement is given a greater profile in the Welsh Government's Local Government Measure 2009, which requires local authorities to improve their performance in sustainability and contribute to the sustainable development of an area.

As a result of this, increasing legislation and public interest, local authorities are increasingly under pressure to develop and implement robust sustainability policies which are fully embedded in the way they deliver their services. Whilst there is not a requirement for the City and County of Swansea to include sustainability reporting in its Annual Statement of Accounts, there are requirements in other public sector organisations and it is anticipated that local authority sustainability reporting is likely to follow in subsequent years.

The City and County of Swansea registered as a participant in the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) in September 2010 and has developed a reporting system to ensure compliance. As such energy and carbon data is now collated and the Council's Carbon Footprint and Annual Report will be submitted to the Environment Agency in July 2011 in compliance with the CRC legislation.

The City and County of Swansea has included this and other information relating to energy consumption and carbon emissions for the first time in this year's Annual Statement of Accounts, one of the first local authorities in Wales to do so. Over the coming years the Council hopes to develop its methodology for sustainability reporting in line with best practice, improving data collection and increasing the quality and quantity of sustainability non-financial and financial metrics it reports on.

SUSTAINABILITY & ENVIRONMENTAL REPORTING

| Greenhouse Gas Emissions & Energy Use 2010/11 | | | |
|--|---|------------|-----------|
| | | 2009- 2010 | 2010-2011 |
| Non-Financial Indicators (tonnes CO _{2e}) | Scope 1 (direct impacts) | 48,622 | 45,118 |
| | Scope 2 emissions (electricity) | 28,164 | 24,436 |
| | Scope 3 emissions (business travel) | 1,061 | 1,095 |
| Related energy consumption | Electricity: Non-Renewable ('000 kWh) | 52,446 | 45,505 |
| | Fossil fuel: Gas and heating oil ('000 kWh) | 78,916 | 80,115 |
| | Petrol and diesel (litres) | 1,982,038 | 1,969,564 |
| | Business travel mileage (miles) | 3,218,864 | 3,266,265 |
| Commentary | | | |
| <ol style="list-style-type: none"> 1. Scope 1 carbon data includes fossil fuel use in buildings (gas and heating oil) and fuel used in the Council's fleet. 2. Electricity and gas data is based on billing information, some of which may be estimated. This data will become more accurate over the next two years as automatic metering is rolled out across the Council's corporate building stock. 3. Fossil Fuel (gas and oil) data is presented as absolute figures and is not corrected for weather. 4. Business travel data is for road miles only. | | | |

GLOSSARY OF TERMS

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

Accrual

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

Actuary

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

Agency Services

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

Amortised Cost

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

Associate

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

Audit

An audit is an independent examination of our activities.

Balance Sheet

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

Budget

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

GLOSSARY OF TERMS

Cash Equivalents

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

Cash flow Statement

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

Consolidated Balance Sheet

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

Corporate and Democratic Costs

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

Credit Risk

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

Creditor

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

Current Assets

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

Current Liabilities

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

Debtor

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

Depreciation

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

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

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

Earmarked Reserves

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

GLOSSARY OF TERMS

European Social Fund

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

Financial Year

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

Finance Leases

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

Fixed Asset

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

Gilt Edged Stocks

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

Government Grants

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

Housing Revenue Account

This account contains all our housing income and spending.

Investments

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

Joint Venture

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

Leasing

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

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.

GLOSSARY OF TERMS

Minimum revenue provision (MRP)

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

National Non-Domestic Rates (NNDR)

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

Net realisable value

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

Non Distributable Costs

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

Operating leases

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

Precepts

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

Provision

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

Public Works Loan Board (PWLB)

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

Related party transactions

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

Reserves

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

Revaluation Reserve

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

Revenue account

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

GLOSSARY OF TERMS

Scheduled organisation

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

Securities

These are investments such as stocks, share and bonds.

Stocks

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

Subsidiary

An entity is a subsidiary of the reporting authority if:

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

Temporary Borrowing or Investment

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

Transfer value

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

Trust Funds

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

Unit Trusts

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

Venture Capital Units

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

Work in Progress

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