

# Statement of Accounts 2017/18



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# INTRODUCTION



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

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

Approximately 244,500 people live within the boundaries of the Council of which:

- 42,000 are aged under 16
- 54,300 are of pensionable age
- 21,700 are aged 75 years and over



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

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

Copies of these accounts can be obtained from:

Chief Finance Officer  
Swansea Council  
Guildhall  
Swansea  
SA1 4PE

## ***NARRATIVE REPORT***

The main elements of this Statement of Accounts comprise:-

- \* The Expenditure and Funding Analysis which shows how annual expenditure is used and funded from resources by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates.
- \* The Comprehensive Income and Expenditure Statement, which shows the income from, and spending on, Authority services for the year. It also shows how much money we get from the Welsh Government, business ratepayers and Council taxpayers together with the net deficit / surplus for the year.
- \* The Movement in Reserves Statement which shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- \* The Balance Sheet, showing a snapshot of the Authority's financial position at the 31st March 2018.
- \* The Cash Flow Statement, which shows transactions for the year on a cash basis rather than on an accruals basis.
- \* The notes to the accounts, incorporating the main accounting policies which show the basis on which we have prepared the accounts and the accounting principles the Authority has adopted. The notes also offer further analysis of items appearing in the main financial statements.
- \* The Housing Revenue Account (HRA) Income and Expenditure Statement, which shows income from, and spending on, Council housing for the year. This account is stated separately as required by statute although the overall results are incorporated into the Authority's Comprehensive Income and Expenditure Statement.
- \* The Group Accounts, which show the consolidated accounts of the Authority and its group companies.
- \* The Certificate and Statement of Responsibilities of the Chief Finance Officer who is the responsible officer for the production of the statement.
- \* The Annual Governance Statement, which gives an indication of the arrangements for and effectiveness of internal control procedures within the Authority.
- \* The auditor's opinion and certificate relating to the Statement of Accounts.

## ***NARRATIVE REPORT***

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

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

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

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

# NARRATIVE REPORT

## Revenue spending in 2017/2018

	£'m	%
Revenue support grant	231.2	29
Non domestic rates	79.5	9
Council tax (including Reduction Scheme)	109.2	14
Other income (rents, fees and charges, specific grants)	368.9	48
	788.8	100

**←**

**Where our money comes from**

**What we spend it on**

**→**

	£'m	%
Employees	351.1	44
Capital charges	37.8	5
Running costs	373.0	47
Precepts/Levies	32.8	4
Reserve transfers	-5.9	0
	788.8	100

	£'m	%
Resources	135.6	17
People - Poverty & Prevention	19.3	2
People - Social Services	159.3	20
People - Education	227.4	29
Place	188.6	24
Housing Revenue Account (HRA)	36.8	4
Reserve transfers	-5.9	0
Other	27.7	4
	788.8	100

**←**

**And the services it provides**

# **NARRATIVE REPORT**

## **Authority services**

The revenue outturn position of the Authority for 2017/18 resulted in an increase in expenditure on services of £3.567m compared to adjusted budget. In addition, the revenue outturn position reflects a further £7.399m of one off expenditure on an invest to save basis, that was partly met from the Authority's contingency and restructuring funds primarily to fund early retirement and voluntary redundancy costs as the Authority seeks to reduce its operating costs and adjust to reducing grant levels. Consequently there was a need to draw £3m from the General Fund reserve.

The net overall overspend on Services reflects forecast and known pressures within both Social Services and Resources budgets which have been partly reflected in 2018/19 budget proposals.

Neither of these are sustainable in the longer term and ongoing review and action will follow.

## **Other budget variations**

Other budget savings during the year arose from reductions in capital repayments and interest charges (£3.071m) and increased income from Council Tax (£0.503m). In line with the Council's agreed reserve policy, the whole capital financing underspend has been transferred to a Capital equalisation reserve.

## **Housing Revenue Account**

The Housing Revenue Account of the Authority is a ring fenced account dealing exclusively with income and expenditure arising from the Authority's housing stock. For 2017/18 there was a net decrease in HRA reserves at year end of £3.040m (2016/17 net decrease £5.412m).

Details of the annual Revenue, Capital and HRA outturn reports can be found on the agenda of the Council's Cabinet for the meeting on 19th July 2018.

# NARRATIVE REPORT

## Capital spending in 2017/2018

	£'000
External borrowing	27,967
Government grants	20,167
Other grants/contributions	2,936
Capital receipts	5,459
Revenue and reserves	29,742
Financing of previous years	-57
	86,214

**Where our money comes**

**What services we spend it on**

	£'000
Resources	1,742
Place Services	73,938
People Services	10,534
	86,214

**Some of the assets it provided**

People Services	£'000	Place Services	£'000
<b>Education</b>		<b>Housing (GF)</b>	
Pentrefafod Comp remodelling	6,951	Housing Disabled Facilities Grants	4,412
School capital maintenance	4,436	Sandfields Renewal Area	675
<b>Place Services</b>		Housing other grants/loans	1,371
<b>Housing (HRA)</b>		<b>Highways and Transportation</b>	
HRA British Iron & Steel Federation Properties	789	Carriageways & Footways	3,069
HRA refurbishment (includes kitchens and bathrooms)	23,877	Local Transport Network fund schemes	1,010
HRA Adaptation works	2,912	Local Transport fund (Baldwins Bridge)	515
HRA Energy Efficiency	1,495	<b>Other Services</b>	
HRA Wind & Weatherproofing (includes Hi-rise flats)	8,805	3G pitch Penyrheol	646
HRA Regeneration	2,853	Other Buildings Capital Maintenance	997
HRA landscaping and enhancement	2,512	Waste generating station	1,135
HRA new build	1,718		
<b>Economic Development</b>			
The Kingsway Urban Park	771		
City Centre Redevelopment - Swansea Central Phase 1	2,304		

## **NARRATIVE REPORT**

The Authority maintains a number of provisions and reserves. Provisions are disclosed in Note 23 on pages 101 and 102. The information regarding reserves are disclosed in the Movement in Reserves Statement on pages 19 to 22 and Note 10 on page 65.

Provisions are amounts included in the accounts as liabilities where there has been a past event which is likely to result in a financial liability but where there is uncertainty over timing and the precise value of the liability that has been incurred. It is therefore the Authority's best estimate of the financial liability as at 31st March 2018.

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

At the end of the year, the Authority's revenue reserve balances amounted to £75.215m (2016/17 £77.922m).

### **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 2018 and the reserve needed to fund that liability.

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

The fund is subject to a 3 yearly actuarial valuation which assesses the then state of the pension fund and advises the various admitted bodies on the appropriate rate of employers contributions that needs to be made in order to restore the fund to a balanced position over a period of time. The contribution rate used in 2017/18 relates to the valuation undertaken on 31st March 2016.

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

# **NARRATIVE REPORT**

## **Group Accounts**

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

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

The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

The Accounts and Audit (Wales) (Amendment) Regulations 2018 that came into force on the 14th March 2018 removed the requirement to include a statement relating to pension funds administered by a local authority in the statement of accounts. The Swansea Council Pension Fund Accounts has therefore been removed from the Swansea Council Statement of Accounts. The Swansea Council Pension Fund Accounts are prepared and published in the Pension Fund Annual Report and Statement of Accounts.

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

On 6th March 2018 the Authority approved a medium term financial plan which highlighted potential revenue shortfalls rising from £24.1m in 2019/20 to £68.7m in 2021/22.

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

Notwithstanding the information contained within the medium term financial plan, it is clear that the financial outlook for the Authority in terms of Central Government funding and support for both Revenue and Capital expenditure is likely to significantly reduce in real terms in the short/medium term in line with the UK Government austerity measures. Equally the Authority has ambitious plans to invest substantially in its capital infrastructure, a significant part of which will need to be financed from its own revenue resources, as well as from wider stakeholders including, but not limited to the Swansea Bay City Region Deal.

# **NARRATIVE REPORT**

Whilst the precise details of funding available for 2019/20 and beyond have not been announced current indications are that an overall reduction in real terms support of circa 10-15% is quite feasible. The Authority is already undertaking work to plan for such reductions.

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

Local Government reorganisation proposals from the Welsh Government set out in their Green Paper (Strengthening Local Government: Delivering for People) means that the Local Government landscape will continue to evolve and change. Whilst a range of reorganisation options feature, options remain varied (voluntary through to compulsory) and there is meanwhile continued certainty of a degree of mandatory regional working on a range of services. It is anticipated that the final proposals from Welsh Government will be issued after the current period of public consultation.

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

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

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

## **Further information**

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

## **EXPENDITURE AND FUNDING ANALYSIS**

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

<b>2016/17</b>			<b>2017/18</b>		
<b>Net Expenditure Chargeable to the General Fund and HRA Balances</b>	<b>Adjustments (Note 6a)</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>	<b>Net Expenditure Chargeable to the General Fund and HRA Balances</b>	<b>Adjustments (Note 6a)</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
49,706	-12,835	36,871	50,023	-13,349	36,674
5,457	1,279	6,736	5,808	1,222	7,030
105,534	2,769	108,303	106,791	4,948	111,739
163,719	14,058	177,777	163,517	16,701	180,218
48,691	31,680	80,371	50,119	38,738	88,857
-32,247	6,220	-26,027	-33,426	8,944	-24,482
<b>340,860</b>	<b>43,171</b>	<b>384,031</b>	<b>342,832</b>	<b>57,204</b>	<b>400,036</b>
		<b>Net Cost of Services</b>			

## EXPENDITURE AND FUNDING ANALYSIS

2016/17			2017/18		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments (Note 6a)	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments (Note 6a)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
-335,168	-34,926	-370,094	-340,125	-37,346	-377,471
<b>5,692</b>	<b>8,245</b>	<b>13,937</b>	<b>2,707</b>	<b>19,858</b>	<b>22,565</b>
		Other Income and Expenditure			
		(Surplus) or Deficit			
-83,614		Opening General Fund and HRA Balance	-77,922		
		Less/Plus Surplus or Deficit on General Fund and HRA Balances in Year	2,707		
5,692		Closing General Fund and HRA Balance at 31st March *	-75,215		
<b>-77,922</b>					

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

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

2016/17			2017/18		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
130,151	-93,280	36,871	135,629	-98,955	36,674
18,548	-11,812	6,736	19,298	-12,268	7,030
153,382	-45,079	108,303	159,320	-47,581	111,739
223,184	-45,407	177,777	227,388	-47,170	180,218
179,745	-99,374	80,371	188,564	-99,707	88,857
32,699	-58,726	-26,027	36,806	-61,288	-24,482
Account (HRA)					
<b>737,709</b>	<b>-353,678</b>	<b>384,031</b>	<b>767,005</b>	<b>-366,969</b>	<b>400,036</b>
<b>Cost of Services</b>					
31,061	0	31,061	31,578	0	31,578
71,943	-35,999	35,944	64,472	-33,562	30,910
0	-437,099	-437,099	0	-439,959	-439,959
Taxation and non-specific grant income (Note 13)					
<b>13,937</b>			<b>22,565</b>		
<b>(Surplus) or Deficit on Provision of Services</b>					

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2016/17			2017/18		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
		4,694			7,281
		(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 24)			
		89,390			4,320
		Remeasurement of the net defined benefit liability / (asset) (Note 24)			
		<hr/> <b>94,084</b>			<hr/> <b>11,601</b>
		<b>Other Comprehensive Income and Expenditure</b>			
		<hr/> <b>108,021</b>			<hr/> <b>34,166</b>
		<b>Total Comprehensive Income and Expenditure</b>			
		<hr/> <hr/> <b>108,021</b>			<hr/> <hr/> <b>34,166</b>

## **GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018**

		2016/17				2017/18	
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
130,151	-93,280	36,871	Resources	135,629	-98,955	36,674	
18,548	-11,812	6,736	People - Poverty & Prevention	19,298	-12,268	7,030	
153,382	-45,079	108,303	People - Social Services	159,320	-47,581	111,739	
223,184	-45,407	177,777	People - Education	227,388	-47,170	180,218	
179,750	-99,399	80,351	Place	188,564	-99,707	88,857	
32,699	-58,726	-26,027	Housing Revenue Account (HRA)	36,806	-61,288	-24,482	
<b>737,714</b>	<b>-353,703</b>	<b>384,011</b>	<b>Cost of Services</b>	<b>767,005</b>	<b>-366,969</b>	<b>400,036</b>	
31,061	0	31,061	Other operating expenditure	31,578	0	31,578	
71,943	-35,999	35,944	Financing and investment income and expenditure	64,472	-33,562	30,910	
0	-437,099	-437,099	Taxation and non-specific grant income	0	-439,959	-439,959	
		<b>13,917</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>22,565</b>	
		-2,665	Share of the surplus or deficit on the provision of services by associates and joint ventures			284	
		<b>11,252</b>	<b>Group (Surplus)/ Deficit</b>			<b>22,849</b>	

## **GROUP INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018**

Gross Expenditure £'000	2016/17 Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	2017/18 Gross Income £'000	Net Expenditure £'000
		4,694			-2,206
					(Surplus) or deficit on revaluation of Property, Plant and Equipment assets
		89,390			4,320
					Actuarial losses / gains on pension assets / liabilities
		<b>94,084</b>			<b>2,114</b>
					<b>Other Comprehensive Income and Expenditure</b>
		<b>105,336</b>			<b>24,963</b>
					<b>Total Comprehensive Income and Expenditure</b>

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

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

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

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

## MOVEMENT IN RESERVES STATEMENT

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

## MOVEMENT IN RESERVES STATEMENT

2017/18	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2017 brought forward</b>	<b>12,360</b>	<b>55,741</b>	<b>9,821</b>	<b>6,092</b>	<b>14,927</b>	<b>98,941</b>	<b>285,546</b>	<b>384,487</b>
<b>Movement in reserves during 2017/18</b>								
Surplus or (deficit) on the provision of services	-48,264	0	25,699	0	0	-22,565	0	-22,565
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	-11,601	-11,601
<b>Total Comprehensive Income and Expenditure</b>	<b>-48,264</b>	<b>0</b>	<b>25,699</b>	<b>0</b>	<b>0</b>	<b>-22,565</b>	<b>-11,601</b>	<b>-34,166</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	48,597	0	-28,739	362	-1,453	18,767	-18,767	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>	<b>333</b>	<b>0</b>	<b>-3,040</b>	<b>362</b>	<b>-1,453</b>	<b>-3,798</b>	<b>-30,368</b>	<b>-34,166</b>
Transfers from/to Earmarked Reserves (Note 10)	-3,341	3,341	0	0	0	0	0	0
<b>Decrease/Increase in Year</b>	<b>-3,008</b>	<b>3,341</b>	<b>-3,040</b>	<b>362</b>	<b>-1,453</b>	<b>-3,798</b>	<b>-30,368</b>	<b>-34,166</b>
	<b>9,352</b>	<b>59,082</b>	<b>6,781</b>	<b>6,454</b>	<b>13,474</b>	<b>95,143</b>	<b>255,178</b>	<b>350,321</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

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

## GROUP MOVEMENT IN RESERVES STATEMENT

2017/18	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Subsidiaries, Associates and Joint Ventures £'000	Total Group Reserves £'000
<b>Balance at 31 March 2017 brought forward</b>	<b>12,360</b>	<b>55,741</b>	<b>9,821</b>	<b>6,092</b>	<b>14,927</b>	<b>98,941</b>	<b>285,546</b>	<b>384,487</b>	<b>12,199</b>	<b>396,686</b>
<b>Movement in reserves during 2017/18</b>										
Surplus or (deficit) on the provision of services	-48,264	0	25,699	0	0	-22,565	0	-22,565	-284	-22,849
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	-11,601	-11,601	9,487	-2,114
<b>Total Comprehensive Income and Expenditure</b>	<b>-48,264</b>	<b>0</b>	<b>25,699</b>	<b>0</b>	<b>0</b>	<b>-22,565</b>	<b>-11,601</b>	<b>-34,166</b>	<b>9,203</b>	<b>-24,963</b>
Adjustments between group accounts & authority accounts	0	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	48,597	0	-28,739	362	-1,453	18,767	-18,767	0	0	0
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>	<b>333</b>	<b>0</b>	<b>-3,040</b>	<b>362</b>	<b>-1,453</b>	<b>-3,798</b>	<b>-30,368</b>	<b>-34,166</b>	<b>9,203</b>	<b>-24,963</b>
Transfers from/to Earmarked Reserves	-3,341	3,341	0	0	0	0	0	0	0	0
<b>Decrease/Increase in Year</b>	<b>-3,008</b>	<b>3,341</b>	<b>-3,040</b>	<b>362</b>	<b>-1,453</b>	<b>-3,798</b>	<b>-30,368</b>	<b>-34,166</b>	<b>9,203</b>	<b>-24,963</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>9,352</b>	<b>59,082</b>	<b>6,781</b>	<b>6,454</b>	<b>13,474</b>	<b>95,143</b>	<b>255,178</b>	<b>350,321</b>	<b>21,402</b>	<b>371,723</b>

## **BALANCE SHEET**

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

<b>31 March 2017 £'000</b>	<b>Notes</b>	<b>31 March 2018 £'000</b>
<b>Property, Plant &amp; Equipment</b>	14	
383,315 Council Dwellings		378,177
615,659 Other Land and Buildings		631,283
7,122 Vehicles, Plant, Furniture and Equipment		7,905
241,611 Infrastructure Assets		239,519
10,159 Community Assets		9,771
88,936 Surplus Assets		87,092
30,919 Assets under Construction		29,905
<b>1,377,721</b>		<b>1,383,652</b>
29,794 Heritage Assets	15	29,876
40,375 Investment Properties	16	47,958
400 Intangible Assets	17	458
74 Long Term Investments	18	124
2,615 Long Term Debtors	18	3,072
<b>1,450,979 Long Term Assets</b>		<b>1,465,140</b>
52,548 Short Term Investments	18	25,500
2,979 Assets Held for Sale	21	2,030
2,129 Inventories		1,978
46,446 Short Term Debtors	19	45,045
30,138 Cash and Cash Equivalents	20	53,953
<b>134,240 Current Assets</b>		<b>128,506</b>
-37,831 Short Term Borrowing	18	-5,822
-52,108 Short Term Creditors	22	-49,182
-3,222 Provisions	23	-2,854
<b>-93,161 Current Liabilities</b>		<b>-57,858</b>

## BALANCE SHEET

31 March 2017 £'000	Notes	31 March 2018 £'000
-2,359 Long Term Creditors	18	-2,268
-10,839 Provisions	23	-10,189
-415,281 Long Term Borrowing	18	-460,982
-679,092 Other Long Term Liabilities	40	-712,028
<b>-1,107,571 Long Term Liabilities</b>		<b>-1,185,467</b>
<b>384,487 Net Assets</b>		<b>350,321</b>
<b>Usable Reserves</b>		
12,360 Balances - General Fund		9,352
9,821 Balances - Housing Revenue Account	10	6,781
6,092 Capital Receipts Reserve		6,454
14,927 Capital Grants Unapplied Account		13,474
55,741 Earmarked Reserves	10	59,082
<b>98,941</b>		<b>95,143</b>
<b>Unusable Reserves</b>		
454,146 Revaluation Reserve		429,264
-679,092 Pensions Reserve		-712,028
521,269 Capital Adjustment Account		548,857
-2,215 Financial Instrument Adjustment Account		-2,221
-8,562 Accumulated Absences Account		-8,694
<b>285,546</b>	24	<b>255,178</b>
<b>384,487 Total Reserves</b>		<b>350,321</b>

## GROUP BALANCE SHEET

31 March 2017 £'000	Notes	31 March 2018 £'000
<b>Property, Plant &amp; Equipment</b>		
383,315 Council dwellings	14	378,177
615,659 Other land and buildings		631,283
7,122 Vehicles, plant, furniture and equipment		7,905
241,611 Infrastructure assets		239,519
10,159 Community assets		9,771
88,936 Surplus assets		87,092
30,919 Assets under construction		29,905
<b>1,377,721</b>		<b>1,383,652</b>
29,794 Heritage Assets	15	29,876
40,375 Investment Property	16	47,958
400 Intangible Assets	17	458
74 Long Term Investments	18	124
12,167 Investments in Associates and Joint Ventures		21,370
2,615 Long Term Debtors	18	3,072
<b>1,463,146 Long Term Assets</b>		<b>1,486,510</b>
52,548 Short Term Investments	18	25,500
2,979 Assets Held for Sale	21	2,030
2,129 Inventories		1,978
46,447 Short Term Debtors	19	45,046
30,169 Cash and Cash Equivalents	20	53,984
<b>134,272 Current Assets</b>		<b>128,538</b>
-37,831 Short Term Borrowing	18	-5,822
-52,108 Short Term Creditors	22	-49,182
-3,222 Provisions	23	-2,854
<b>-93,161 Current Liabilities</b>		<b>-57,858</b>
-2,359 Long Term Creditors	18	-2,268
-10,839 Provisions	23	-10,189
-415,281 Long Term Borrowing	18	-460,982
-679,092 Other Long Term Liabilities	40	-712,028
<b>-1,107,571 Long Term Liabilities</b>		<b>-1,185,467</b>
<b>396,686 Net Assets</b>		<b>371,723</b>

## **GROUP BALANCE SHEET**

31 March 2017 £'000	Notes	31 March 2018 £'000
<b>Usable Reserves</b>		
24,559		21,267
Balances - General Fund		
9,821	10	6,781
Balances - Housing Revenue Account		
6,092		6,454
Capital Receipts Reserve		
14,927		13,474
Capital Grants Unapplied Account		
55,741	10	59,082
Earmarked Reserves		
<b>111,140</b>		<b>107,058</b>
<b>Unusable Reserves</b>		
454,146	24	438,751
Revaluation Reserve		
-679,092		-712,028
Pensions Reserve		
521,269		548,857
Capital Adjustment Account		
-2,215		-2,221
Financial Instrument Adjustment Account		
-8,562		-8,694
Accumulated Absences Account		
<b>285,546</b>		<b>264,665</b>
<b>396,686</b>		<b>371,723</b>
<b>Total Reserves</b>		

## **CASH FLOW STATEMENT**

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

<b>2016/17</b>	<b>2017/18</b>
<b><u>£'000</u></b>	<b><u>£'000</u></b>
-13,937 Net (deficit) on the provision of services	-22,565
72,232 Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (note 25)	78,552
-29,118 Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities (note 25)	-21,650
29,177 Net cash flows from operating activities	34,337
-78,426 Investing activities (note 26)	-24,214
42,334 Financing activities (note 27)	13,692
-6,915 Net (decrease) or increase in cash and cash equivalents	23,815
37,053 Cash and cash equivalents at the beginning of the reporting period	30,138
<b>30,138 Cash and cash equivalents at the end of the reporting period (note 20)</b>	<b>53,953</b>

## **GROUP CASH FLOW STATEMENT**

<u>2016/17</u> <u>£'000</u>	<u>2017/18</u> <u>£'000</u>
-13,917 Net surplus / (deficit) on the provision of services	-22,565
72,232 Adjustments to net surplus or (deficit) on the provision of services for non-cash movements (note 25)	78,552
-29,118 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and finance activities (note 25)	-21,650
29,197 Net cash flows from operating activities	34,337
-78,426 Investing activities (note 26)	-24,214
42,334 Financing activities (note 27)	13,692
-6,895 Net increase or decrease in cash and cash equivalents	23,815
37,064 Cash and cash equivalents at the beginning of the reporting period	30,169
<b>30,169 Cash and cash equivalents at the end of the reporting period</b> <b>(note 20)</b>	<b>53,984</b>

# NOTES TO THE ACCOUNTS

## 1. Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018.

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

These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS).

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

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

The CIPFA Code of Practice on Local Authority Accounting 2017/18 requires that Group Accounting Statements have to be prepared, consolidating the accounts of the parent and any subsidiary, associate or joint undertakings. An assessment of the activities and interests of Swansea Council has been undertaken, which has determined that the Swansea Council Group consists of the Local Authority as the parent, and the following companies:

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
Swansea Community Energy & Enterprise Scheme (SCEES)	Associate

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

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

The Accounts are prepared on a going concern basis.

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

### **iv. Exceptional Items**

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There were no material errors to report in 2017/18.

As part of a review of Property, Plant and Equipment changes in assumptions have been made regarding the remaining useful lives of some surplus assets during 2017/18.

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

### **vii. Employee Benefits**

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

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

#### **Termination Benefits**

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

#### **Post Employment Benefits**

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

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

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

## **NOTES TO THE ACCOUNTS**

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

### **The Local Government Pension Scheme**

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

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

### **Discretionary Benefits**

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

### **ix. Financial Instruments**

#### **Financial Liabilities**

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

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

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

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

#### **Financial Assets**

Financial assets are classified into two types:

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

## **NOTES TO THE ACCOUNTS**

### **Loan and Receivables**

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

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

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

### **xii. Heritage Assets**

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

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

### **xiii. Intangible Assets**

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

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

### **xvi. Investment Property**

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

### **xviii. Leases**

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

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

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

# **NOTES TO THE ACCOUNTS**

## **The Authority as Lessee**

### **Finance Leases**

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

Lease payments are apportioned between:

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

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

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

### **Operating Leases**

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

# NOTES TO THE ACCOUNTS

## The Authority as Lessor

### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

# NOTES TO THE ACCOUNTS

## Operating Leases

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

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

## xix. Overheads and Support Services

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

## xx. Property, Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

### **Impairment**

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

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

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

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

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their estimated useful lives. No charge is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). From 1st April 2017 the Authority charges depreciation based on opening balances.

Depreciation is calculated on the following bases:

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

## **NOTES TO THE ACCOUNTS**

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

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

### **Component Accounting**

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

#### 1. Suitability of assets.

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

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

# NOTES TO THE ACCOUNTS

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

### **Provisions**

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

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

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

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

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

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

In 2017/18 the Council settled £257k of unequal pay claims. These payments were funded by earmarked reserves. During 2016/17 the Council settled further unequal pay claims totalling £5.401m (including composite payments to HMRC). This was funded from existing provisions.

### **Contingent Liabilities**

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

## **NOTES TO THE ACCOUNTS**

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

### **Contingent Assets**

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

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

### **xxii. Reserves**

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

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

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

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

### **xxiv. VAT**

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

## **NOTES TO THE ACCOUNTS**

The Authority undertakes an annual review of its de-minimus VAT position under s33 of the VAT Act 1993 as required by HMRC. For the year ended 31st March 2018 the Authority believes that it will be below the de-minimus level in respect of exempt related input tax and hence will be entitled to recovery of input tax in full.

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

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

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

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

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

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

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

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

# NOTES TO THE ACCOUNTS

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

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

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

Level 3 - unobservable inputs for the asset or liability.

## **xxvii. Group Accounting Policies**

The accounting policies for both City and County of Swansea and City and County of Swansea Group are materially aligned except for the valuation of assets in respect of the Wales National Pool Swansea. The assets of the Wales National Pool Swansea have been valued on a different basis within the company's accounts to that used by the Council for assets of this nature. For the purposes of the Group accounts, the National Pool has been separately valued by the Council in accordance with its own accounting policies. Full disclosure of the different valuations have been included on page 127 to the financial statements.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) has introduced accounting policy changes in relation to the following:

- a) IFRS 9 Financial Instruments
- b) IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 and Clarifications to IFRS 15 Revenue from contracts with Customers
- c) Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- d) Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The adoption of 2a) and 2b) follow transitional reporting requirements that do not require the Authority to publish a third Balance Sheet.

The adoption of 2d) will not require the publication of a third Balance Sheet.

The implementation of 2c) represents a change in accounting policy so the Authority will be required to publish a third Balance Sheet for the beginning of the earliest comparative period where the changes adopted in the Authority and Group Accounts are material.

## **NOTES TO THE ACCOUNTS**

### **3. Critical judgements in applying accounting policies**

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

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

- The medium term financial plan approved by the Authority on 6th March 2018 detailed significant ongoing forecast revenue funding shortfalls over the medium term. Current indications are that there will be significant real terms reductions in Revenue and Capital support from Central Government from 2019/20 onwards. Whilst the Authority will consider future spending plans in line with projected funding announcements there is no indication at present that any of the assets of the Authority may be impaired as a result of a need to close facilities and reduce the level of service provision.
- The Authority implemented an equality compliant pay and grading structure for its employees from 1st April 2014. At the same time, the Authority continues to face a residual number of claims from past and existing employees based on equal pay grounds. In determining the extent of the resources to be set aside the Authority has made assumptions regarding the number of potential claimants and the potential value of their respective claims. The Authority is confident that it has sufficient resource to meet the remaining liabilities arising from equal pay issues.
- The Government has made fundamental changes in respect of the provision of public sector pensions. On 9th March 2012, the Government confirmed details for the new Teachers Pension Scheme which were introduced in 2015, with changes to employee contribution rates from April 2012. Changes to employer contribution rates in the Teachers' Pension Scheme took effect from September 2015. Employer rates increased from 14.1% to 16.48%. A re-modelled Local Government Pension scheme was introduced from 1st April 2014 but there is no indication that the finances of the Authority will be adversely affected by any of the changes. The LGPS triennial valuation in 2016 has confirmed the affordability of future contribution rates.
- In line with accounting standards the Authority has made a significant provision in respect of final remedial work and future maintenance/monitoring of its major waste disposal site at Tir John. Assumptions regarding remediation and aftercare costs have been based on legal requirements to monitor the site for a period of 60 years following closure and have been calculated taking into account commitments currently within the Council's Capital Programme.

## **NOTES TO THE ACCOUNTS**

- The Authority has undertaken a fundamental review in 2012/13 of its Schools portfolio with a view to both rationalising and significantly improving the quality of school premises available across the City and County (21st Century Schools Programme). In the light of this scheme and the outline timescale for implementation, the useful lives of some school buildings have been re-evaluated and considerably reduced from that previously used. The effect of this is to accelerate residual depreciation affecting both the Comprehensive Income and Expenditure Statement and the net book value as shown on the Balance Sheet. As the Schools Programme has progressed there has been further re-evaluations however there are no adjustments in 2017/18.

#### **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 2018 for which there is a significant risk of material adjustment in the forthcoming year are as follows:-

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant upon assumptions over the specific life expectancy of those assets. As stated in note 3 a review has been undertaken of a significant number of school buildings and in particular the impact of the Councils strategic 21st Century Schools Programme plan for asset replacement. In addition revised useful lives have been applied to a number of assets during 2017/18 in line with professional judgement.	To the extent that useful lives have been determined inappropriately 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.  In any event the effect of depreciation is reversed out of the Comprehensive Income and Expenditure Statement to have nil effect on the Council taxpayer.

## **NOTES TO THE ACCOUNTS**

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Provisions	<p>The Authority has made a significant capital provision for the future remediation and maintenance of major land refuse disposal sites. Uncertainty arises because of the 60 year timescale for liability on this issue.</p>	<p>Any shortfall in future years will have to be funded via the capital programme.</p>
Pension liabilities	<p>The Authority's share of the Local Government pension fund liability as at 31st March 2018 is £712.028m. However, the fund is subject to a triennial valuation which at present reviews the level of employers contributions in order to ensure the long term sustainability of the fund. Changes to the Local Government Pension Scheme introduced on 1st April 2014 were designed to ensure the long term affordability of the scheme.</p>	<p>The Pension Fund is designed to be sustainable over the long term and it is unlikely that there will be any significant short term impact on the Authority's finances arising from any assumptions currently made or decisions that are likely in the coming financial year.</p>
Insurance Provisions and Reserves	<p>The Authority has set aside provisions to meet contractual excess amounts from known and existing insurance claims. In deciding the level of provision to make in respect of ongoing claims, the Authority has taken advice from its legal advisers and/or its contracted loss adjusters. The Authority also maintains an insurance reserve which is used to meet the cost of future unforeseen events based on previous experience.</p>	<p>Should the sums set aside prove insufficient to meet these payments there would be an immediate revenue effect in the year that the available sums were exhausted. Equally, the Authority regularly reviews the level of both provisions and reserves with a view to releasing funds back to revenue if appropriate.</p>

## **NOTES TO THE ACCOUNTS**

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from Assumptions</b>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Authority employs experts to identify the most appropriate valuation techniques to determine fair value (for example for surplus assets and investment properties, the Authority's internal property valuation team).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Authority's assets and liabilities is disclosed in notes:</p> <p>14. Non-operational PPE (Surplus Assets) 16. Investment Properties 18. Financial Instruments</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its financial assets / liabilities.</p> <p>The significant unobservable inputs used in the fair value measurement include assumptions regarding rent levels, vacancy levels (for investment properties), investment yields and discount rates - for some financial assets.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the surplus assets, investment properties and financial assets.</p>

## NOTES TO THE ACCOUNTS

### 5. Material items of income and expense

There are no material items of income and expenditure in 2016/17 and 2017/18.

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

Adjustments between Funding and Accounting Basis						
2017/18						
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net Change for Pension Adjustments (Note 2)	Other Statutory Adjustments (Note 3)	Total Statutory Adjustments	Other (Non-statutory) Adjustments (Note 4)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Resources	4,335	2,021	122	6,478	-19,827	-13,349
People - Poverty & Prevention	479	729	14	1,222	0	1,222
People - Social Services	1,484	3,584	-120	4,948	0	4,948
People - Education	16,824	-233	56	16,647	54	16,701
Place	30,173	5,316	-153	35,336	3,402	38,738
Housing Revenue Account (HRA)	7,993	843	0	8,836	108	8,944
<b>Net Cost of Services</b>	<b>61,288</b>	<b>12,260</b>	<b>-81</b>	<b>73,467</b>	<b>-16,263</b>	<b>57,204</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-70,067</b>	<b>16,430</b>	<b>28</b>	<b>-53,609</b>	<b>16,263</b>	<b>-37,346</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-8,779</b>	<b>28,690</b>	<b>-53</b>	<b>19,858</b>	<b>0</b>	<b>19,858</b>

## NOTES TO THE ACCOUNTS

### Adjustments between Funding and Accounting Basis 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net Change for Pension Adjustments (Note 2)	Other Statutory Adjustments (Note 3)	Total Statutory Adjustments	Other (Non-statutory) Adjustments (Note 4)	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Resources	6,630	632	-240	7,022	-19,857	-12,835
People - Poverty & Prevention	1,066	230	-17	1,279	0	1,279
People - Social Services	1,558	1,297	-86	2,769	0	2,769
People - Education	17,552	-2,835	-713	14,004	54	14,058
Place	25,586	1,784	1,136	28,506	3,174	31,680
Housing Revenue Account (HRA)	5,984	130	0	6,114	106	6,220
<b>Net Cost of Services</b>	<b>58,376</b>	<b>1,238</b>	<b>80</b>	<b>59,694</b>	<b>-16,523</b>	<b>43,171</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-70,189</b>	<b>18,691</b>	<b>49</b>	<b>-51,449</b>	<b>16,523</b>	<b>-34,926</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-11,813</b>	<b>19,929</b>	<b>129</b>	<b>8,245</b>	<b>0</b>	<b>8,245</b>

## NOTES TO THE ACCOUNTS

### Adjustments for Capital Purposes

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

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

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

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

### Net Change for Pension Adjustments

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

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

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

### Other Statutory Adjustments

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

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

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

## NOTES TO THE ACCOUNTS

### Other Non-statutory Adjustments

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

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

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

### 6b) Segmental Income

Income received on a segmental basis is analysed below:

<b>Services</b>	<b>2017/18 Income from Services £'000</b>	<b>2016/17 Income from Services £'000</b>
Resources	-95,004	-93,221
People - Poverty & Prevention	-12,268	-11,245
People - Social Services	-46,946	-44,653
People - Education	-46,698	-44,917
Place	-107,134	-106,157
Housing Revenue Account (HRA)	-61,249	-60,689
<b>Total income analysed on a segmental basis</b>	<u>-369,299</u>	<u>-360,882</u>

## NOTES TO THE ACCOUNTS

### 7. Expenditure and Income Analysed by Nature

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

	2016/17	2017/18
<b>Expenditure/Income</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employee expenses	333,928	351,063
Premises	45,386	45,518
Transport	27,602	27,608
Supplies & Services	156,486	106,551
Other Costs	172,837	223,885
Depreciation, amortisation and impairment	52,994	56,467
Interest payments	20,420	20,385
Precepts and levies	31,502	32,849
Gain or loss on the disposal of assets	-442	-1,271
<b>Total expenditure</b>	<b>840,713</b>	<b>863,055</b>
<b>Income</b>		
Fees, charges and other service income	-221,754	-230,734
Interest and investment income	-359	-203
Income from council tax	-105,152	-109,236
Government grants and contributions	-499,511	-500,317
<b>Total income</b>	<b>-826,776</b>	<b>-840,490</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>13,937</b>	<b>22,565</b>

### 8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

#### General Fund Balance

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

## NOTES TO THE ACCOUNTS

### Housing Revenue Account Balance

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

### 2017/18

	Usable Reserves			
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
- Pensions costs (transferred to (or from) the Pensions Reserve)	27,026	1,590	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	17	-6	0	0
- Holiday pay (transferred to the Accumulated Absences Reserve)	57	74	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	40,710	-1,165	0	-1,453
<b>Total Adjustments to Revenue Resources</b>	<b>67,810</b>	<b>493</b>	<b>0</b>	<b>-1,453</b>

## NOTES TO THE ACCOUNTS

2017/18

	Usable Reserves			
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-1,271	0	5,492	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-14,558	-2,882	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-3,392	-26,350	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-19,221</b>	<b>-29,232</b>	<b>5,492</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>				
Use of Capital Receipts Reserve to finance capital expenditure	0	0	-14	0
Cash payments in relation to deferred capital receipts	0	0	-5,117	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>-5,131</b>	<b>0</b>
<b>Total Adjustments</b>	<b>48,589</b>	<b>-28,739</b>	<b>361</b>	<b>-1,453</b>

## NOTES TO THE ACCOUNTS

### 2016/17 Comparative Figures

	Usable Reserves			
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
- Pensions costs (transferred to (or from) the Pensions Reserve)	18,864	1,198	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	55	-3	0	0
- Holiday pay (transferred to the Accumulated Absences Reserve)	-1,211	-133	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	39,183	-3,033	0	-3,822
<b>Total Adjustments to Revenue Resources</b>	<b>56,891</b>	<b>-1,971</b>	<b>0</b>	<b>-3,822</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-442	0	3,988	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-11,156	-2,703	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-4,380	-28,000	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>-15,978</b>	<b>-30,703</b>	<b>3,988</b>	<b>0</b>

## NOTES TO THE ACCOUNTS

### 2016/17 Comparative Figures

	Usable Reserves			
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000
<b>Adjustments to Capital Resources</b>				
Use of Capital Receipts Reserve to finance capital expenditure	0	0	-77	0
Cash payments in relation to deferred capital receipts	0	0	-5,716	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>-5,793</b>	<b>0</b>
<b>Total Adjustments</b>	<b>40,913</b>	<b>-32,674</b>	<b>-1,805</b>	<b>-3,822</b>

### 9. Events After the Balance Sheet Date

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

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

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

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

## NOTES TO THE ACCOUNTS

### 10. Movements In Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18.

	Balance at 1st April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31st March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31st March 2018 £'000
<b>General Fund:</b>							
Balances held by schools under the scheme of delegation	9,547	-2,095	123	7,575	-474	0	7,101
Primary School Sickness Scheme Reserve	145	-145	13	13	-13	158	158
Information technology reserves	462	-52	5	415	-24	1,092	1,483
Development reserves	4,426	-69	227	4,584	-73	159	4,670
Insurance reserves	14,092	-2,951	4,554	15,695	-10	1,116	16,801
Restructuring Costs reserve	9,497	-1,018	0	8,479	-801	0	7,678
Other earmarked revenue reserves	12,356	-2,157	3,201	13,400	-4,364	3,335	12,371
Revenue reserve earmarked to fund future capital expenditure	5,496	0	84	5,580	169	3,071	8,820
<b>Total</b>	<b>56,021</b>	<b>-8,487</b>	<b>8,207</b>	<b>55,741</b>	<b>-5,590</b>	<b>8,931</b>	<b>59,082</b>
<b>HRA:</b>							
Housing Revenue Account	15,233	-5,412	0	9,821	-3,040	0	6,781

## NOTES TO THE ACCOUNTS

### 11. Other Operating Expenditure

2016/17	2017/18
£'000	£'000
967 Community Council precepts	965
18,530 South Wales Police Authority precept	19,525
12,005 Levies and Contributions	12,359
-441 Gains/losses on the disposals of non-current assets	-1,271
<b>31,061</b>	<b>31,578</b>

### 12. Financing and Investment Income and Expenditure

2016/17			2017/18		
Gross Exp	Gross Income	Net Exp	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000	£'000	£'000	£'000
20,419	0	20,419	20,384	0	20,384
48,440	-29,750	18,690	42,750	-26,320	16,430
0	-358	-358	0	-203	-203
3,084	-5,891	-2,807	1,338	-7,039	-5,701
<b>71,943</b>	<b>-35,999</b>	<b>35,944</b>	<b>64,472</b>	<b>-33,562</b>	<b>30,910</b>

The income generated from investment properties during the year amounted to £4.226m (2016/17 £4.106m) and changes to the fair value of investment properties amounted to £2.154m (2016/17 -£0.510m).

### 13. Taxation and Non Specific Grant Income

2016/17	2017/18
£'000	£'000
-105,152 Council tax income (note 42)	-109,236
-73,224 Non domestic rates (note 43)	-79,531
-234,543 Non-ringfenced government grants	-231,169
-24,157 Capital grants and contributions	-19,518
-23 Other grants	-505
<b>-437,099</b>	<b>-439,959</b>

## NOTES TO THE ACCOUNTS

### 14. Property, Plant and Equipment

#### Movement on Balances

Movements in 2017/18:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
At 1 April 2017	389,108	658,247	35,702	380,961	15,989	88,966	30,919	1,599,892
additions (Cap Exp)	43,174	8,401	3,625	8,692	79	581	13,205	77,757
additions (Other)	0	340	159	0	0	1,645	0	2,144
revaluation increases / (decreases) recognised in the Revaluation Reserve	-41,570	-17,008	0	0	0	5,970	0	-52,608
revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-2,208	133	0	0	-79	-5,085	0	-7,239
impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	-1,234	-592	0	0	0	0	-1,826
derecognition - disposals	0	0	-932	0	0	-2,904	0	-3,836
assets reclassified to/from Held for Sale	0	0	0	0	0	-299	0	-299

## NOTES TO THE ACCOUNTS

Movements in 2017/18 (continued):

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
reclassifications Cap Ex WIP	1,190	9,407	0	11	0	3,611	-14,219	0
other reclassifications	24	-344	0	0	0	-4,893	0	-5,213
<b>At 31 March 2018</b>	<b>389,718</b>	<b>657,942</b>	<b>37,962</b>	<b>389,664</b>	<b>15,989</b>	<b>87,592</b>	<b>29,905</b>	<b>1,608,772</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2017	-5,793	-42,588	-28,580	-139,350	-5,830	-30	0	-222,171
depreciation charge	-5,748	-25,464	-2,319	-10,795	-388	-1,027	0	-45,741
depreciation written out to the Revaluation Reserve	0	40,102	0	0	0	216	0	40,318
depreciation written out to the Surplus / Deficit on the provision of services	0	1,280	0	0	0	332	0	1,612
derecognition - disposals	0	0	842	0	0	20	0	862
other movements in depreciation and impairment	0	11	0	0	0	-11	0	0
<b>At 31 March 2018</b>	<b>-11,541</b>	<b>-26,659</b>	<b>-30,057</b>	<b>-150,145</b>	<b>-6,218</b>	<b>-500</b>	<b>0</b>	<b>-225,120</b>
<b>Net Book Value</b>								
<b>At 1 April 2017</b>	<b>383,315</b>	<b>615,659</b>	<b>7,122</b>	<b>241,611</b>	<b>10,159</b>	<b>88,936</b>	<b>30,919</b>	<b>1,377,721</b>
<b>At 31 March 2018</b>	<b>378,177</b>	<b>631,283</b>	<b>7,905</b>	<b>239,519</b>	<b>9,771</b>	<b>87,092</b>	<b>29,905</b>	<b>1,383,652</b>

## NOTES TO THE ACCOUNTS

Comparative Movements in 2016/17:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
At 1 April 2016	388,001	639,864	36,921	370,450	15,989	53,910	17,676	1,522,811
additions(Cap Exp)	40,065	8,784	2,315	9,965	116	2,737	26,461	90,443
additions(Other)	0	0	0	0	0	1,544	0	1,544
revaluation increases / (decreases) recognised in the Revaluation Reserve	-39,325	1,034	0	0	0	2,735	0	-35,556
revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-231	1,319	-142	0	-116	-4,938	-1,490	-5,598
impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	-1,470	-139	-741	0	0	0	-2,350
derecognition - Disposals	-80	0	-215	0	0	-1,231	0	-1,526
assets reclassified to/from Held for Sale	0	-1,525	0	0	0	-170	0	-1,695
reclassifications Cap Ex WIP	370	9,982	27	856	0	481	-11,728	-12
other reclassifications	308	259	-3,065	431	0	33,898	0	31,831
<b>At 31 March 2017</b>	<b>389,108</b>	<b>658,247</b>	<b>35,702</b>	<b>380,961</b>	<b>15,989</b>	<b>88,966</b>	<b>30,919</b>	<b>1,599,892</b>

## NOTES TO THE ACCOUNTS

Comparative Movements in 2016/17 (continued):

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2016	-119	-41,692	-27,483	-128,886	-5,442	0	0	-203,622
depreciation charge	-5,720	-26,034	-1,555	-10,332	-388	-38	0	-44,067
depreciation written out to the Revaluation Reserve	45	25,138	0	0	0	0	0	25,183
depreciation written out to the Surplus/Deficit on the provision of services	0	0	140	0	0	8	0	148
derecognition - disposals	1	0	186	0	0	0	0	187
other movements in depreciation and impairment	0	0	132	-132	0	0	0	0
<b>At 31 March 2017</b>	<b>-5,793</b>	<b>-42,588</b>	<b>-28,580</b>	<b>-139,350</b>	<b>-5,830</b>	<b>-30</b>	<b>0</b>	<b>-222,171</b>

### Net Book Value

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

## NOTES TO THE ACCOUNTS

### Capital Commitments

As at 31st March 2018 the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £10.544m. Similar commitments at 31st March 2017 were £17.631m.

The major commitments are:

- Pentrehafod Comprehensive Refurbishment £3,728k
- Feasibility study/planning for Swansea Central development and Civic Site £3,103k
- HRA Environmental Facilities Schemes £698k
- HRA Enveloping Properties schemes £1,484k
- HRA Highrise flats, Clyne & Jeffreys Court £1,531k

### Revaluations

The Authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation dates for 2017/18 were 30th June 2017, 30th September 2017, 31st December 2017 and 31st March 2018.

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

The main asset groups revalued during 2017/18 and the remaining groups to be revalued under the current rolling programme are as follows:

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

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

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

## **ASSET STRUCTURE**

### **Asset Structure**

The major non-current assets held by the Authority at 31st March 2018 are:

<b>Number 31/03/2017</b>		<b>Number 31/03/2018</b>
	<b>Corporate Building &amp; Property Services</b>	
1	• Enterprise Park	1
1	• Civic Centre (Swansea)	1
1	• Guildhall	1
1	• St David's Shopping Centre (Part Demolished)	1
1	• The Quadrant Shopping Centre	1
	<b>Culture &amp; Tourism</b>	
4	• Leisure Centres	4
1	• LC	1
2	• Sports Centres	2
1	• St Helens Ground	1
1	• Tennis Centre	1
1	• Plantasia	1
1	• Grand Theatre	1
1	• Brangwyn Hall	1
1	• Dylan Thomas Centre	1
78	• Parks & Open Spaces (497 Hectares)	78
970	• Foreshore (hectares)	970
1	• Stadium	1
1	• Bowls Hall	1
4	• Museums	4
1	• Art Gallery	1
1	• Country Park - Clyne	1
1	• Oystermouth Castle	1
17	• Libraries	17
	<b>Education</b>	
74	• Primary/Junior/Infants/Nursery School (excluding Church Schools)	74
13	• Secondary Schools (excluding Church Schools)	13
5	• Special Schools/Referral Units	5
	<b>Housing and Community Regeneration</b>	
13,500	• Council Dwellings	13,528
9	• Area Housing Offices	9
	<b>Marketing Communications &amp; Scrutiny</b>	
1	• Mansion House	1

## **ASSET STRUCTURE**

<b>Number 31/03/2017</b>		<b>Number 31/03/2018</b>
	<b>Public Protection</b>	
7	• Cemeteries	7
1	• Crematorium	1
	<b>Regeneration &amp; Planning</b>	
1	• Market	1
	<b>Social Services</b>	
11	• Residential & Respite Facilities	12
1	• Residential & Respite Facilities (Vacant)	0
16	• Day & Social Centres/Activities	15
3	• Residential & Day Centres/Activities (combined on same site)	3
	<b>Highways</b>	
102	• Principal Roads - A Roads (Kilometres)	102
230	• Non Principal Roads - B & C Roads (Kilometres)	231
773	• Non Classified Roads (Kilometres)	774
	<b>Transportation</b>	
59	• Car Parks	55
1	• Swansea Bus Station (Quadrant)	1
1	• Marina	1
1	• Barrage	1
36,145	• Highway Bridges (Square metres of deck area)	36,145
	<b>Waste Management</b>	
5	• Amenity Sites	5
1	• Landfill Sites	1
1	• MRF (Baling Plant Llansamlet)	1

## NOTES TO THE ACCOUNTS

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

#### Fair Value Hierarchy

Details of the Authority's surplus assets and information about fair value hierarchy as at 31 March 2018 and 31 March 2017 are as follows:

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31st March 2018	Fair value reclassified from Surplus prior to 31st March 2018	Fair Value reclassified to Surplus Assets prior to 31st March 2018			Fair value adjusted prior to IFRS 13 as at 31st March 2018	Fair value adjusted prior to IFRS 13 as at 31st March 2018 - Reclassified from Surplus Assets prior to 31st March 2018	Total Surplus Assets Value as at 31st March 2018
	(Level 1)	(Level 2)	(Level 3)			(Level 1)	(Level 2)	(Level 3)			
Recurring fair value measurements using:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Long Leases @ Peppercorn Rent	0	0	0	0	0	0	0	0	0	0	0
Agricultural	0	0	537	537	0	0	0	0	0	0	537
City Centre	0	5,728	12,555	18,283	0	0	0	0	0	0	18,283
Industrial Units	0	0	2,152	2,152	0	0	0	0	154	0	2,306
Land only	0	1,236	44,673	45,909	0	0	0	553	0	0	46,462
High Value	0	0	260	260	0	0	0	0	0	0	260
Residential Freeholds (LRA)	0	0	0	0	0	0	0	0	297	0	297
Residential shared %	0	0	1,021	1,021	0	0	0	0	0	0	1,021
Miscellaneous	0	4,700	19,018	23,718	-5,361	0	0	55	14	0	18,426
<b>Total</b>	<b>0</b>	<b>11,664</b>	<b>80,216</b>	<b>91,880</b>	<b>-5,361</b>	<b>0</b>	<b>0</b>	<b>608</b>	<b>465</b>	<b>0</b>	<b>87,592</b>

## NOTES TO THE ACCOUNTS

### 2016/17 Comparative Figures

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

## **NOTES TO THE ACCOUNTS**

The Fair Value of 4 assets categorised as a level 2 in the Fair Value hierarchy in 2016/17 has been determined using the income approach to valuation. However the tenant situation of each asset has changed and the significant inputs used to arrive at Fair Value are less observable than previously. This has resulted in the properties being categorised as a level 3 in 2017/18.

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

#### **Significant Observable Inputs - Level 2**

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

#### **Significant Unobservable Inputs - Level 3**

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

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

#### **Highest and Best Use of Surplus Assets**

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

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

<b>Long Lease @ Peppercorn Rent categorised with Level 3</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	1	0
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	0	-79
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	0	0
Transfers to/from Property, Plant and Equipment	-1	80
<b>Closing Balance</b>	<b>0</b>	<b>1</b>

## NOTES TO THE ACCOUNTS

<b>Agricultural categorised with Level 3</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	0	0
Transfers In - Fair Value adjustment prior to IFRS13	128	0
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	409	0
<b>Closing Balance</b>	<b>537</b>	<b>0</b>

<b>City Centre categorised with Level 3</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	9,927	0
Transfers In - Fair Value adjustment prior to IFRS13	2,356	100
Transfers into Level 3	631	0
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	793	0
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-1,152	-763
Transfers to/from Property, Plant and Equipment	0	7,389
Additions	0	3,201
<b>Closing Balance</b>	<b>12,555</b>	<b>9,927</b>

<b>Industrial Units categorised with Level 3</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	2,207	0
Transfers In - Fair Value adjustment prior to IFRS13	0	2,207
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-5	0
Transfers to/from Property, Plant and Equipment	-50	0
<b>Closing Balance</b>	<b>2,152</b>	<b>2,207</b>

## NOTES TO THE ACCOUNTS

<b>Land Only categorised with Level 3</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	44,582	41,985
Transfers In - Fair Value adjustment prior to IFRS13	0	2,496
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	220	3,048
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	1	-2,690
Transfers to/from Property, Plant and Equipment	553	-275
Additions	1,400	678
Disposals	-1,530	-660
<b>Closing Balance</b>	<b>45,226</b>	<b>44,582</b>

<b>High Value categorised with Level 3</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	260	0
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	0	46
Transfers to/from Property, Plant and Equipment	0	214
<b>Closing Balance</b>	<b>260</b>	<b>260</b>

<b>Residential shared % categorised with Level 3</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	0	13
Transfers to/from Property, Plant and Equipment	0	-13
<b>Closing Balance</b>	<b>0</b>	<b>0</b>

## NOTES TO THE ACCOUNTS

<b>Residential shared % categorised with Level 3</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	0	0
Transfers In - Fair Value adjustment prior to IFRS13	908	0
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	120	0
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-7	0
<b>Closing Balance</b>	<b>1,021</b>	<b>0</b>

<b>Miscellaneous categorised with Level 3</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	14,204	5,275
Transfers In - Fair Value adjustment prior to IFRS13	10	222
Total gains [or losses] for the period included in Revaluation Reserves resulting from changes in the fair value	4,124	239
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	1,577	-144
Transfers to/from Property, Plant and Equipment	-5,558	8,849
Additions	0	763
Disposals	-645	-1,000
<b>Closing Balance</b>	<b>13,712</b>	<b>14,204</b>

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

## NOTES TO THE ACCOUNTS

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

	As at 31/03/2018 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Long Lease @ Peppercorn Rent	0	Nominal amount adopted to reflect Council's reversionary value	N/A	N/A	N/A - all £1,000
Agricultural	537	Market Approach	Land Value per acre	£2000 - £5000 per acre	Significant changes in land value and yield will result in significantly lower or higher fair value
City Centre	12,555	Market Approach	Rents	Zone A £150 to £1,000 per sq m	Significant changes in rent and yields will result in significantly lower or higher fair value
			Yield	4-8%	
Industrial Units	2,152	Market Approach	Yield	7-12%	Significant changes in rent and yields will result in significantly lower or higher fair value
			Rents	Various	
Land Only	45,226	Market Approach	Land Value per acre	£100,000 to £600,000 per acre	Significant changes in rent and yields will result in significantly lower or higher fair value
High Value	260	Market Approach	Yield	Various	Significant changes in rent and yields will result in significantly lower or higher fair value
			Rents	Various	
Residential shared %	1,021	Market Approach	Capital Value	£115,000 - £135,000	Significant changes in capital value will result in a change to the Fair Value
Miscellaneous	13,712	Market Approach	Yield	5-12%	Significant changes in rent and yields will result in significantly lower or higher fair value
			Rents	Various	
<b>TOTAL</b>	<b>75,463</b>				

## NOTES TO THE ACCOUNTS

### Valuation Process for Surplus Assets

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

### 15. Heritage Assets

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

	Heritage Land, Buildings & Infrastructure	Art & Museums	Furniture, Fixtures & Fittings	Other	Total Assets
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
At 1st April 2016	4,137	19,087	3,179	1,578	27,981
Additions (Cap Exp)	4	0	0	4	8
Revaluations	0	2,037	0	0	2,037
Recognised in the Surplus/Deficit on the provision of services	-4	0	-224	-4	-232
<b>At 31st March 2017</b>	<b>4,137</b>	<b>21,124</b>	<b>2,955</b>	<b>1,578</b>	<b>29,794</b>

	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
At 1st April 2017	4,137	21,124	2,955	1,578	29,794
Additions (Cap Exp)	6	4	0	0	10
Additions (Other)	0	75	0	0	75
Revaluations	0	3	0	0	3
Recognised in the Surplus/ Deficit on the provision of services	-6	0	0	0	-6
<b>At 31st March 2018</b>	<b>4,137</b>	<b>21,206</b>	<b>2,955</b>	<b>1,578</b>	<b>29,876</b>

## NOTES TO THE ACCOUNTS

### Heritage Land, Buildings and Infrastructure

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

### Art & Museums

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

### Other

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

### 16. Investment Properties

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

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
4,106 Rental income from investment property	4,226
-790 Direct operating expenses arising from investment property	-679
3,316 Net gain	3,547

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

## NOTES TO THE ACCOUNTS

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

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
<b>75,253</b> Balance at start of the year	<b>40,375</b>
Additions:	
189 - Construction (Current)	215
-104 Disposals	0
-510 Net gains/losses from fair value adjustments	2,154
<u>-34,453</u> Transfers to/from Property, Plant and Equipment	<u>5,214</u>
<b><u>40,375</u></b> Balance at end of the year	<b><u>47,958</u></b>

## NOTES TO THE ACCOUNTS

### Fair Value measurement of investment property - Fair Value Hierarchy

Details of the Authority's investment properties and information about fair value hierarchy as at 31 March 2018 and 31 March 2017 are as follows:

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31st March 2018	Fair value reclassified from Investment Properties prior to 31st March 2018	Fair value reclassified to Investment Properties prior to 31st March 2018	Fair value adjusted prior to IFRS13 as at 31st March 2018	Fair value adjusted prior to IFRS13 - Reclassified from Investment Properties prior to 31st March 2018	Total Investment Property Value as at 31st March 2018			
Recurring fair value measurements using:	(Level 1)	(Level 2)	(Level 3)		(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other	0	0	0	0	0	0	0	0	0	0	0	0
Enterprise Park	0	9,630	8,528	18,158	0	0	0	0	0	0	0	18,158
High Value	0	4,099	20,340	24,439	0	0	0	0	5,361	0	0	29,800
Right to Buy	0	0	0	0	0	0	0	0	0	0	0	0
Long Leases @ Peppercorn Rent	0	0	0	0	0	0	0	0	0	0	0	0
Residential Freeholds (LRA)	0	0	0	0	0	0	0	0	0	0	0	0
Industrial Units	0	0	0	0	0	0	0	0	0	0	0	0
Agricultural	0	0	0	0	0	0	0	0	0	0	0	0
Residential Shared %	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>13,729</b>	<b>28,868</b>	<b>42,597</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,361</b>	<b>0</b>	<b>0</b>	<b>47,958</b>

## NOTES TO THE ACCOUNTS

### 2016/17 Comparative Figures

	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31st March 2017	Fair value reclassified from Investment Properties prior to 31st March 2017	Fair value reclassified to Investment Properties prior to 31st March 2017	Fair value adjusted prior to IFRS13 as at 31st March 2017	Fair value adjusted prior to IFRS13 - Reclassified from Investment Properties prior to 31st March 2017	Total Investment Property Value as at 31st March 2017			
Recurring fair value	(Level 1)	(Level 2)	(Level 3)		(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other	0	10,352	16,398	26,750	-10,352	-16,398	0	0	0	3,539	-3,539	0
Enterprise Park	0	9,496	8,271	17,767	0	0	0	0	0	0	0	17,767
High Value	0	4,145	18,677	22,822	0	-214	0	0	0	0	0	22,608
Right to Buy	0	0	0	0	0	0	0	0	0	0	0	0
Long Leases @ Peppercorn Rent	0	0	0	0	0	0	0	0	0	0	0	0
Residential Freeholds (LRA)	0	0	0	0	0	0	0	0	0	0	0	0
Industrial Units	0	0	2,207	2,207	0	-2,207	0	0	0	264	-264	0
Agricultural	0	0	0	0	0	0	0	0	0	189	-189	0
Residential Shared %	0	0	0	0	0	0	0	0	0	1,046	-1,046	0
<b>Total</b>	<b>0</b>	<b>23,993</b>	<b>45,553</b>	<b>69,546</b>	<b>-10,352</b>	<b>-18,819</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,038</b>	<b>-5,038</b>	<b>40,375</b>

## **NOTES TO THE ACCOUNTS**

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

#### **Significant Observable Inputs - Level 2**

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

#### **Significant Unobservable Inputs - Level 3**

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

#### **Highest and Best Use of Surplus Assets**

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

<b>Other categorised within Level 3</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
Opening balance	0	11,217
Transfers In - Fair Value adjustment prior to IFRS13	0	4,549
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	0	632
Transfers to/from Property, Plant and Equipment	0	-16,398
<b>Closing Balance</b>	<b>0</b>	<b>0</b>

## NOTES TO THE ACCOUNTS

<b>Enterprise Park categorised within Level 3</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
Opening balance	8,271	642
Transfer into Level 3	0	1,444
Transfers In - Fair Value Adjusted prior to IFRS13	0	5,976
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	317	209
Transfers to/from Property, Plant and Equipment	-60	0
<b>Closing Balance</b>	<b>8,528</b>	<b>8,271</b>

<b>High Value categorised within Level 3</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
Opening balance	18,463	1,218
Transfer into Level 3	0	17,382
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	1,877	77
Transfers to/from Property, Plant and Equipment	5,361	-214
<b>Closing Balance</b>	<b>25,701</b>	<b>18,463</b>

<b>Industrial Units categorised within Level 3</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
Opening balance	0	2,152
Transfers In - Fair Value Adjusted prior to IFRS13	0	35
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	0	9
Transfers to/from Property, Plant and Equipment	0	-2,207
Addition	0	11
<b>Closing Balance</b>	<b>0</b>	<b>0</b>

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

## NOTES TO THE ACCOUNTS

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

	As at 31/03/2018 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Enterprise Park	8,528	Market Approach	Yield	8-12%	Significant changes in rents and yields will result in significantly lower or higher fair value
			Rent	Various	
High Value	25,701	Market Approach	Yield	Various	Significant changes in rents and yields will result in significantly lower or higher fair value
			Rent	Various	
<b>TOTAL</b>	<b>34,229</b>				

### Valuation Process for Investment Properties

Valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Occasionally external valuers will be employed when it is considered that the Council's internal valuers do not have the necessary experience and knowledge. The Authority's valuation experts work closely with finance officers reporting directly to the Chief Finance Officer on a regular basis regarding all valuation matters.

### 17. Intangible Assets

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

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

#### Purchased Licences

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

#### Other IT software

Payroll Development	5 years
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## NOTES TO THE ACCOUNTS

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £192K was charged to revenue in 2017/18.

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

2016/17 £'000	2017/18 £'000
<b>Balance at start of year:</b>	
4,975 - Gross carrying amounts	5,108
-4,475 - Accumulated amortisation	-4,708
500 <b>Net carrying amount at start of year</b>	400
Additions:	
154 - Purchases during year	371
-21 Revaluations increases or decreases	-101
Impairment losses recognised in the Surplus/Deficit on the Provision of 0 Services	-74
-244 Amortisation for the period	-192
Amortisation written out to the 11 Surplus/Deficit on the provision of services	98
0 Other changes	-44
<b>400 Net carrying amount at end of year</b>	<b>458</b>
Comprising:	
5,108 - Gross carrying amounts	5,260
-4,708 - Accumulated amortisation	-4,802
400	458

### 18. Financial Instruments

The notes on financial instruments on the following pages are the requirement of the code. IFRS requires for the restatement of nominal amounts for loans and investments to include for example the spread cost of premium / discounts and using equivalent interest rates instead of actual stepped interest rates in the case of 'amortised cost' and also the restatement of the nominal values of the loans and investments if they were to be refinanced in the market at 31st March 2018 in the 'fair value' disclosure.

# NOTES TO THE ACCOUNTS

## TYPES OF FINANCIAL INSTRUMENTS

**TABLE 1 – FINANCIAL INSTRUMENT BALANCES**

	Long-Term		Short-Term		Total	
	31st March 2018 £'000	31st March 2017 £'000	31st March 2018 £'000	31st March 2017 £'000	31st March 2018 £'000	31st March 2017 £'000
<b>Borrowings</b>						
Financial liabilities at amortised cost	460,982	415,281	5,822	37,831	466,804	453,112
<b>Total included in Borrowings</b>	<b>460,982</b>	<b>415,281</b>	<b>5,822</b>	<b>37,831</b>	<b>466,804</b>	<b>453,112</b>
<b>Creditors</b>						
Financial liabilities carried at contract amount	2,268	2,359	42,721	45,500	44,989	47,859
<b>Total included in Creditors</b>	<b>2,268</b>	<b>2,359</b>	<b>42,721</b>	<b>45,500</b>	<b>44,989</b>	<b>47,859</b>
<b>Investments</b>						
Loans and receivables	24	24	25,500	52,548	25,524	52,572
Financial Assets at Fair Value through Profit or Loss	0	0	0	0	0	0
Unquoted equity investment at cost	100	50	0	0	100	50
<b>Total Investments</b>	<b>124</b>	<b>74</b>	<b>25,500</b>	<b>52,548</b>	<b>25,624</b>	<b>52,622</b>
<b>Debtors</b>						
Loans and receivables	0	0	0	0	0	0
Financial assets carried at contract amount	3,072	2,615	44,154	45,774	47,226	48,389
<b>Total Debtors</b>	<b>3,072</b>	<b>2,615</b>	<b>44,154</b>	<b>45,774</b>	<b>47,226</b>	<b>48,389</b>

Note - Lender Option / Borrower Option Loans (LOBO's) of £40m (2016/17 £58m) have been included in long term borrowing but have an option date in the next 12 months.

## NOTES TO THE ACCOUNTS

The Authority disposed of its one third shareholding (£50,000 'A' shares) in the Swansea Stadium Management Company Limited during the year, 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.

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

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

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

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

2017/18	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	-20,321	0	0	-20,321
Losses on Derecognition	0	0	0	0
Reductions in Fair Value	0	0	0	0
Fee Expense	0	0	0	0
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>-20,321</b>	<b>0</b>	<b>0</b>	<b>-20,321</b>

## NOTES TO THE ACCOUNTS

2017/18	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Fair value through profit or loss £'000	Total £'000
Interest income	0	264	0	264
Gains on Derecognition	0	0	0	0
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>264</b>	<b>0</b>	<b>264</b>
<b>Net (gain)/loss for the year</b>	<b>-20,321</b>	<b>264</b>	<b>0</b>	<b>-20,057</b>

  

2016/17 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	-20,443	0	0	-20,443
Losses on Derecognition	0	0	0	0
Reductions in Fair Value	0	0	0	0
Fee Expense	0	0	0	0
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>-20,443</b>	<b>0</b>	<b>0</b>	<b>-20,443</b>
Interest income	0	420	0	420
Gains on Derecognition	0	0	0	0
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>420</b>	<b>0</b>	<b>420</b>
<b>Net (gain)/loss for the year</b>	<b>-20,443</b>	<b>420</b>	<b>0</b>	<b>-20,023</b>

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March 2018, using bid prices where applicable.

The calculations are made with the following assumptions:

- Estimated ranges of interest rates at 31 March 2018 of 1.67% to 2.77% for loans from the PWLB and 0.20% to 2.77% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed.
- The fair values are calculated as follows:

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

	31st March 2018		31st March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities	452,084	667,921	448,580	663,996
Creditors	44,989	44,989	47,859	47,859

## **NOTES TO THE ACCOUNTS**

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

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

	31st March 2018		31st March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Loans and receivables	25,500	25,500	47,500	52,637
Debtors	47,226	47,226	48,389	48,389

The fair value is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) attributable to the commitment to receive interest below current market rates.

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

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

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

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

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

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

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

## NOTES TO THE ACCOUNTS

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

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

The Authority has no exposure to credit risk to financial institutions as its investments are with other local authorities. The risk of irrecoverability applies to all investments, however there was no evidence at 31/03/18 that this was likely to crystallise.

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

**TABLE 5 – CREDIT RISK (A)**

	Amounts at 31 March 2018 £'000	Historical experience of default 31 March 2018 %	Historical experience adjusted for market conditions as at 31 March 2018 %	Estimated maximum exposure to default and uncollectability 31 March 2018 £'000	Estimated maximum exposure 31 March 2017 £'000
Bonds and other securities	0	0.00	0.00	0	0
Customers	47,226	13.99%	14.73%	6,960	6,862
<b>Total</b>	<b>47,226</b>	<b>0.00</b>	<b>0.00</b>	<b>6,960</b>	<b>6,862</b>

The Authority does not generally allow credit for customers such that £16.2m of the £47.2m balance is past its due date for payment. The amount can be analysed as follows -

	31-Mar-18	31-Mar-17
less than 3 months	12,475	8,426
3 to 6 months	616	1,171
6 months to 1 year	968	1,200
more than 1 year	2,115	2,048
	<b>16,174</b>	<b>12,845</b>

## **NOTES TO THE ACCOUNTS**

### **2. Liquidity Risk**

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

The maturity structure of financial liabilities at nominal value is as follows (liability figure per Table 1 includes accrued interest on PWLB and LOBOs of £5.301k (prior year £5,493k):

**TABLE 6 – LIQUIDITY RISK**

<b>On 31 March 2017</b>	<b>Loans outstanding</b>	<b>On 31 March 2018</b>
<b>£'000</b>		<b>£'000</b>
83,331	Less than 1 year	48,543
0	Between 1 and 2 years	0
3,003	Between 2 and 5 years	8,500
19,000	Between 5 and 10 years	28,000
393,279	More than 10 years	424,482
<b>498,613</b>	<b>Total</b>	<b>509,525</b>

In the more than 10 years category there are £40m (31 March 2017 £58m) of LOBOs which have a call date in the next 12 months.

### **3. Market Risk**

#### Interest rate risk

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

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

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

## NOTES TO THE ACCOUNTS

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

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

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher than market rate with all other variables held constant, the financial effect would be:

<b>TABLE 7 – INTEREST RATE RISK</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Increase in interest payable on variable rate borrowings	580	400
Increase in interest receivable on variable rate investments	0	0
Increase in government grant receivable for financing costs	0	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>580</b>	<b>400</b>
<b>Share of overall impact debited to the Housing Revenue Account</b>	<b>180</b>	<b>128</b>
Decrease in fair value of fixed rate investment assets	422	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>422</b>	<b>0</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or other comprehensive I&E)	106,848	113,056

### Foreign Exchange Risk

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

### Price Risk

The Authority does not generally invest in equity shares.

## NOTES TO THE ACCOUNTS

### Financial Instruments Adjustment Account

31/03/2017	31/03/2018
£'000	£'000
<b>-2,160 Balance brought forward</b>	<b>-2,215</b>
120 PWLB Premia amortisation	1
-119 PWLB Discounts amortisation	-9
11 LOBO equivalent interest rate amortisation	16
-67 Notional advances right to buy sales	-14
<b><u>-2,215 Published Balance as at 31st March</u></b>	<b><u>-2,221</u></b>

### Analysis of Borrowing

31/03/2017 Sources of borrowing	31/03/2018
£'000	£'000
314,073 Public Works Loan Board	354,084
99,208 Money market	99,200
2,000 Other	7,698
<b>415,281 Total borrowing greater than one year</b>	<b>460,982</b>
1 Stock issues	1
14,101 Public Works Loans Board	4,898
405 Money market	401
4 Local bonds & internal mortgages	5
23,320 Temporary loans	517
<b><u>37,831 Total borrowing less than one year</u></b>	<b><u>5,822</u></b>
<b><u>453,112</u></b>	<b><u>466,804</u></b>

### Maturity dates for the repayment of loans

31/03/2017	31/03/2018
£'000	£'000
28,826 Temporary loans up to 1 year	517
Long term debt maturing within:-	
9,004 1 year	5,305
0 1 - 2 years	0
3,003 2 – 5 years	8,500
19,000 5 -10 years	28,000
393,279 Over 10 years	424,482
<b><u>453,112</u></b>	<b><u>466,804</u></b>

## NOTES TO THE ACCOUNTS

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

31 March 2018				
	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements using:	(Level 1) £'000	(Level 2) £'000	(Level 3) £'000	Total £'000
<b>Financial assets</b>				
<i>Loans and receivables:</i>				
Other loans and receivables	0	1,770	0	1,770
<b>Total</b>	<b>0</b>	<b>1,770</b>	<b>0</b>	<b>1,770</b>

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

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

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

Financial Assets	Financial liabilities
- no early repayment or impairment is recognised	- no early repayment is recognised
- estimated ranges of interest rates at 31 March 2018 of 0.25% to 0.97% for loans receivable, based on new lending rates for equivalent loans at that date	- estimated ranges of interest rates at 31 March 2018 of 0.54% to 2.29% for loans payable based on new lending rates for equivalent loans at that date
- the fair value of trade and other receivables is taken to be the invoiced or billed amount	- the fair value of WG loans are taken at nominal value

## NOTES TO THE ACCOUNTS

### 19. Short Term Debtors

Authority	Group		Authority	Group
31st March	31st March		31st March	31st March
2017	2017		2018	2018
£'000	£'000		£'000	£'000
24,894	24,894	Central government bodies	24,327	24,327
3,195	3,195	Other local authorities	3,470	3,470
5,112	5,112	NHS bodies	3,537	3,537
2	2	Public corporations and trading funds	8	8
25,343	25,344	Other entities and individuals	24,256	24,257
1,259	1,259	Payments In Advance	2,488	2,488
-13,359	-13,359	Provision for doubtful debts	-13,041	-13,041
<b>46,446</b>	<b>46,447</b>	<b>Total</b>	<b>45,045</b>	<b>45,046</b>

### 20. Cash and Cash Equivalents

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

Authority	Group		Authority	Group
31st March	31st March		31st March	31st March
2017	2017		2018	2018
£'000	£'000		£'000	£'000
-236	-236	Cash held by the Authority	-662	-662
30,374	30,405	Bank current accounts	54,615	54,646
<b>30,138</b>	<b>30,169</b>	<b>Total Cash and Cash Equivalents</b>	<b>53,953</b>	<b>53,984</b>

### 21. Assets Held for Sale

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

2016/17		2017/18
£'000		£'000
<b>3,422</b>	Balance outstanding at start of year	<b>2,979</b>
-36	Revaluation gains/losses	0
1,695	Assets classified to/from held for sale:	299
-2,102	Assets sold	-1,248
<b>2,979</b>	Balance outstanding at year end	<b>2,030</b>

### 22. Short Term Creditors

Authority	Group		Authority	Group
31st March	31st March		31st March	31st March
2017	2017		2018	2018
£'000	£'000		£'000	£'000
8,206	8,206	Central government bodies	7,406	7,406
2,068	2,068	Other local authorities	2,000	2,000
300	300	NHS bodies	578	578
20	20	Public corporations and trading funds	9	9
34,305	34,305	Other entities and individuals	32,728	32,728
7,209	7,209	Receipts In Advance	6,461	6,461
<b>52,108</b>	<b>52,108</b>	<b>Total</b>	<b>49,182</b>	<b>49,182</b>

## NOTES TO THE ACCOUNTS

### 23. Provisions

#### Short - term

	£'000	£'000	£'000	£'000	£'000
	Outstanding Legal Cases	Injury and Damage Compensation Claims	Employee Benefits	Other Provisions	Total
<b>Balance at 1 April 2017</b>	55	1,601	58	1,508	3,222
Additional provisions made in 2017/18	0	732	470	320	1,522
Amounts used in 2017/18	0	-1,295	-14	-539	-1,848
Unused amounts reversed in 2017/18	0	-843	-267	-383	-1,493
Transfer from long term to short term	0	1,377	14	60	1,451
<b>Balance at 31 March 2018</b>	<b>55</b>	<b>1,572</b>	<b>261</b>	<b>966</b>	<b>2,854</b>

#### Long - term

	£'000	£'000	£'000	£'000	£'000
	Outstanding Legal Cases	Injury and Damage Compensation Claims	Employee Benefits	Other Provisions	Total
<b>Balance at 1 April 2017</b>	0	3,636	14	7,189	10,839
Additional provisions made in 2017/18	0	1,206	0	35	1,241
Amounts used in 2017/18	0	0	0	-436	-436
Unused amounts reversed in 2017/18	0	0	0	-4	-4
Transfer from long term to short term	0	-1,377	-14	-60	-1,451
<b>Balance at 31 March 2018</b>	<b>0</b>	<b>3,465</b>	<b>0</b>	<b>6,724</b>	<b>10,189</b>

#### **Outstanding Legal Cases**

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

## NOTES TO THE ACCOUNTS

### Injury and Damage Compensation Claims

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

### Employee Benefits

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

### Other Provisions

These amounts are to cover a variety of potential liabilities including land compensation claims following compulsory purchase, potential sums arising out of grant reclaims and obsolete stock. Other provisions include a significant capital provision (£5.378m) for the future remediation and maintenance of major land refuse disposal sites. Of the £5.378m, £2.595m is likely to be settled within the next ten years and the remaining £2.783m over the next forty years.

### 24. Unusable Reserves

Authority 31st March 2017 £'000	Group 31st March 2017		Authority 31st March 2018	Group 31st March 2018 £'000
454,146	454,146	Revaluation Reserve	429,264	438,751
521,269	521,269	Capital Adjustment Account	548,857	548,857
-2,215	-2,215	Financial Instruments Adjustment Account	-2,221	-2,221
-679,092	-679,092	Pensions Reserve	-712,028	-712,028
-8,562	-8,562	Accumulated Absences Account	-8,694	-8,694
<u>285,546</u>	<u>285,546</u>	<b>Total Unusable Reserves</b>	<u>255,178</u>	<u>264,665</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.

## NOTES TO THE ACCOUNTS

Authority Group			Authority Group	
2016/17	2016/17		2017/18	2017/18
£'000	£'000		£'000	£'000
<b>475,796</b>	<b>475,796</b>	<b>Balance at 1st April</b>	<b>454,146</b>	<b>454,146</b>
		Upward revaluation of assets -		
19,963	19,963	Cost	13,271	22,758
24,867	24,867	Depreciation	35,404	35,404
		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services -		
-51,936	-51,936	Cost	-63,881	-63,881
2,411	2,411	Depreciation	7,912	7,912
<u>-4,695</u>	<u>-4,695</u>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<u>-7,294</u>	<u>2,193</u>
-16,615	-16,615	Difference between fair value depreciation and historical cost depreciation	-15,895	-15,895
-329	-329	Accumulated gains on assets sold or scrapped	-1,693	-1,693
-11	-11	Transfer of Investment Property Revaluation Reserve	0	0
		Amount written off to the Capital Adjustment Account		
<u>-16,955</u>	<u>-16,955</u>		<u>-17,588</u>	<u>-17,588</u>
<b><u>454,146</u></b>	<b><u>454,146</u></b>	<b>Balance at 31st March</b>	<b><u>429,264</u></b>	<b><u>438,751</u></b>

### Capital Adjustment Account

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

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

## **NOTES TO THE ACCOUNTS**

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
<b>488,156</b>	<b>Balance at 1st April</b>	<b>521,269</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-46,420	Charges for depreciation and impairment of non-current assets	-47,641
-6,330	Revaluation losses on Property, Plant and Equipment	-8,634
-244	Amortisation of intangible assets	-192
-11,765	Revenue expenditure funded from capital under statute (REFCUS)	-6,946
-3,546	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	-4,222
-68,305		-67,635
16,955	Adjusting amounts written out of the Revaluation Reserve	17,588
-51,350	Net written out amount of the cost of non-current assets consumed in the year	-50,047
	Capital financing applied in the year:	
5,793	Use of the Capital Receipts Reserve to finance new capital expenditure	5,131
32,941	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	23,167
13,859	Statutory provision for the financing of the capital investment charged against the General Fund and HRA balances	17,440
32,380	Capital expenditure charged against the HRA and General Fund balances	29,743
84,973		75,481
-510	Movements in the market value of Investment Properties	2,154
<b>521,269</b>	<b>Balance at 31st March</b>	<b>548,857</b>

## NOTES TO THE ACCOUNTS

### 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.

2016/17 £'000	2017/18 £'000
<b>-2,160 Balance at 1st April</b>	<b>-2,215</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	
1 Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-8
-56 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	2
<b><u>-2,215</u> Balance at 31st March</b>	<b><u>-2,221</u></b>

## NOTES TO THE ACCOUNTS

### Pensions Reserve

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

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
<b>-569,640 Balance at 1st April</b>	<b>-679,092</b>
-89,390 Remeasurements of the net defined benefit liability/(asset)	-4,320
-58,220 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	-69,760
-2,670 Past service cost adjustment	-4,730
40,828 Employer's pensions contributions and direct payments to pensioners payable in the year	45,874
<b>-679,092 Balance at 31st March</b>	<b>-712,028</b>

## **NOTES TO THE ACCOUNTS**

### **Accumulated Absences Account**

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

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
<b>-9,906 Balance at 1st April</b>	<b>-8,562</b>
9,906 Settlement or cancellation of accrual made at the end of the preceding year	8,562
-8,562 Amounts accrued at the end of the current year	-8,694
1,344 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	-132
<b>-8,562 Balance at 31st March</b>	<b>-8,694</b>

### **25. Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
358 Interest received	203
-20,419 Interest paid	-20,384
<b>-20,061</b>	<b>-20,181</b>

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

<b>Authority</b>	<b>Group</b>	<b>Authority</b>	<b>Group</b>
<b>2016/17</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
52,750	52,750 Depreciation	56,275	56,275
510	510 Impairment and downward revaluations	-2,154	-2,154
244	244 Amortisation	192	192
-5,561	-5,561 Increase/(decrease) in creditors	-2,576	-2,576
9,001	9,001 Increase in debtors	944	944
-137	-137 (Increase)/decrease in inventories	151	151
20,062	20,062 Movement in pension liability	28,616	28,616

## NOTES TO THE ACCOUNTS

Authority	Group		Authority	Group
2016/17	2016/17		2017/18	2017/18
£'000	£'000		£'000	£'000
-3,546	-3,546	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-4,222	-4,222
-1,091	-1,091	Other non-cash items charged to the net surplus or deficit on the provision of services	1,326	1,326
<u>72,232</u>	<u>72,232</u>		<u>78,552</u>	<u>78,552</u>

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

2016/17		2017/18
£'000		£'000
-29,118	Any other items for which the cash effects are investing or financing cash flows	-21,650
<u>-29,118</u>		<u>-21,650</u>

### 26. Cash Flow Statement - Investing Activities

2016/17		2017/18
£'000		£'000
-90,795	Purchase of property, plant and equipment, investment property and intangible assets	-78,354
-88,459	Purchase of long and short term investments	-987,095
3,988	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,492
67,722	Proceeds from short-term and long-term investments	1,014,093
29,118	Other receipts from investing activities	21,650
<u>-78,426</u>	<b>Net cash flows from investing activities</b>	<u>-24,214</u>

### 27. Cash Flow Statement - Financing Activities

2016/17		2017/18
£'000		£'000
49,063	Cash receipts of short and long-term borrowing	47,168
-6,729	Repayments of short and long-term borrowing	-33,476
<u>42,334</u>	<b>Net cash flows from financing activities</b>	<u>13,692</u>

## NOTES TO THE ACCOUNTS

### 28. Trading Operations

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

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

#### 2017/18

	Turnover £'000	Expenditure £'000	Surplus/- Deficit £'000
Council Car Parks	4,448	1,732	2,716
Grand Theatre	2,948	4,419	-1,471
Indoor Market	1,156	822	334
Council Catering including school meals	6,815	7,209	-394
Trade Waste	2,222	1,709	513
Swansea Marina	2,490	187	2,303
	20,079	16,078	4,001

#### 2016/17

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

### 29. Members' Allowances

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

	2016/17 £'000	2017/18 £'000
Allowances	1,441	1,521
Expenses	14	19
<b>Total</b>	<b>1,455</b>	<b>1,540</b>

## NOTES TO THE ACCOUNTS

### 30. Officers' Remuneration

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

**Table 1 - 2017/18**

	Remuneration (including Fees & Allowances)	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions (23.4%)	Total remuneration including pension contributions
	£	£	£	£	£
Chief Executive *	142,814	0	142,814	33,418	176,232
Director People	107,111	0	107,111	25,064	132,175
Director Resources (a)	18,983	0	18,983	4,343	23,326
Director Place	101,968	0	101,968	23,739	125,707
Chief Transformation Officer (b)	25,422	0	25,422	5,949	31,371
Head of Education Planning and Resources	72,835	0	72,835	17,043	89,878
Head of Housing & Public Protection (c)	83,240	0	83,240	19,478	102,718
Head of Planning & City Regeneration	83,240	0	83,240	19,478	102,718
Head of Communications & Marketing	72,835	0	72,835	17,043	89,878
Head of Human Resources (d)	70,870	48,889	119,759	16,790	136,549
Interim Director Resources (e)	69,614	0	69,614	16,290	85,904
Head of Financial Services & Service Centre (f)	71,951	0	71,951	16,764	88,715
Interim Head of Legal and Democratic Services (g)	6,720	0	6,720	1,572	8,292
Head of Legal, Democratic Services & Business Intelligence (h)	74,237	0	74,237	17,297	91,534
Head of Poverty & Prevention	70,234	0	70,234	16,435	86,669
Head of Digital & Transformation (i)	30,926	0	30,926	7,237	38,163
Head of Waste Management & Parks	83,240	0	83,240	19,478	102,718
<b>Balance c/f</b>	<b>1,186,241</b>	<b>48,889</b>	<b>1,235,130</b>	<b>277,419</b>	<b>1,512,549</b>

## NOTES TO THE ACCOUNTS

**Table 1 - 2017/18 continued**

Post title	Remuneration (including Fees & Allowances)	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions (23.4%)	Total remuneration including pension contributions
	£	£	£	£	£
<b>Balance b/f</b>	<b>1,186,241</b>	<b>48,889</b>	<b>1,235,130</b>	<b>277,419</b>	<b>1,512,549</b>
Head of Cultural Services	80,639	0	<b>80,639</b>	18,870	<b>99,509</b>
Head of Education Improvement (j)	71,534	0	<b>71,534</b>	16,739	<b>88,273</b>
Head of Highways and Transportation	83,554	0	<b>83,554</b>	19,478	<b>103,032</b>
Chief Social Services Officer	101,449	0	<b>101,449</b>	23,739	<b>125,188</b>
Head of Child and Family Services	75,436	0	<b>75,436</b>	17,652	<b>93,088</b>
Head of Adult Services	72,835	0	<b>72,835</b>	17,043	<b>89,878</b>
Head of Commercial Services	72,835	0	<b>72,835</b>	17,043	<b>89,878</b>
Chief Education Officer	95,097	0	<b>95,097</b>	22,253	<b>117,350</b>
Head of Achievement & Partnership Service (k)	14,307	0	<b>14,307</b>	3,348	<b>17,655</b>
Interim Head of Corporate Building Services (l)	59,483	0	<b>59,483</b>	13,905	<b>73,388</b>
Interim Head of Corporate Property services (m)	59,671	0	<b>59,671</b>	13,842	<b>73,512</b>
Head of Vulnerable Learner Service (n)	11,272	0	<b>11,272</b>	2,638	<b>13,910</b>
Interim Head of Housing and Public Protection (o)	5,636	0	<b>5,636</b>	1,319	<b>6,955</b>
<b>Total</b>	<b>1,989,989</b>	<b>48,889</b>	<b>2,038,878</b>	<b>465,287</b>	<b>2,504,165</b>

## **NOTES TO THE ACCOUNTS**

\* In 2017/18 the Chief Executive received additional remuneration of £5,845 for Returning Officer Fees relating to General and European Elections. There is no additional remuneration to the Chief Executive for any local elections.

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

- (a) The Director of Resources retired on 31st May 2017.
- (b) The Chief Transformation Officer is the Interim Director of Resources since 17th July 2017.
- (c) The Head of Housing and Public Protection will be retiring on 6th April 2018.
- (d) The Head of Human Resources took voluntary redundancy on 31st March 2018.
- (e) The Interim Director of Resources commenced on 17th July 2017.
- (f) The Head of Financial Services and Service Centre commenced on 1st May 2017.
- (g) The interim Head of Legal and Democratic Services is the Head of Legal, Democratic Services and Business Intelligence since 1st May 2017.
- (h) The Head of Legal, Democratic Services and Business Intelligence commenced on 1st May 2017.
- (i) The Head of Digital and Transformation commenced on 16th October 2017.
- (j) The Head of Education Improvement is a joint post with Neath Port Talbot County Borough Council as part of the ERW academic regional consortium. The Head of Education Improvement is the Head of Achievement and Partnership Service since 1st February 2018.
- (k) The Head of Achievement and Partnership Service commenced on 1st February 2018.
- (l) The Interim Head of Corporate Building Services commenced on 1st May 2017.
- (m) The Interim Head of Corporate Property Services commenced on 1st May 2017.
- (n) The Head of Vulnerable Learner Service commenced on 1st February 2018.
- (o) The Interim Head of Housing and Public Protection was remunerated from 1st March 2018 in a one month handover period prior to the retirement of the Head of Housing and Public Protection.

## NOTES TO THE ACCOUNTS

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

**Table 1 - 2016/17**

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

## NOTES TO THE ACCOUNTS

**Table 1 - 2016/17 continued**

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

## **NOTES TO THE ACCOUNTS**

\* In 2016/17 The Chief Executive received additional remuneration of £12,973 for Returning Officer Fees relating to General and European Elections. There is no additional remuneration to the Chief Executive for any local elections.

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

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

## NOTES TO THE ACCOUNTS

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

2016/17 Number of employees	Remuneration Band	2017/18 Number of employees
32	£60,000 - £64,999	38
30	£65,000 - £69,999	24
14	£70,000 - £74,999	16
9	£75,000 - £79,999	10
9	£80,000 - £84,999	9
6	£85,000 - £89,999	4
2	£90,000 - £94,999	3
1	£95,000 - £99,999	0
1	£100,000 - £104,999	1
1	£105,000 - £109,999	1
1	£110,000 - £114,999	0
1	£120,000 - £124,999	1
0	£150,000 - £154,999	1
<hr/> <hr/> <b>107</b>	Total	<hr/> <hr/> <b>108</b>

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

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

The Authority is required to disclose the organisation's pay multiple. This is the ratio between the highest paid employee and the median earnings across the organisation. In 2017/18 the remuneration of the Chief Executive was £142,814k (2016/17 £140k). This was 7 times (2016/17 6.3 times) the median remuneration of the organisation, which was £20,528 (2016/17 £22,147).

## NOTES TO THE ACCOUNTS

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

### 2016/17

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

### 2017/18

Exit package cost band (including special payments)	Number of Compulsory Redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	£'000
£0 - £20,000	3	89	92		854
£20,001 - £40,000	1	54	55		1,589
£40,001 - £60,000	0	36	36		1,765
£60,001 - £80,000	0	17	17		1,213
£80,001 - £100,000	0	7	7		651
£100,001 - £150,000	0	8	8		956
£150,001 - £200,000	0	1	1		153
£200,001 to £250,000	0	1	1		242
<b>Total</b>	<b>4</b>	<b>213</b>	<b>217</b>		<b>7,423</b>

The average payback period against all early retirement / voluntary redundancy packages agreed for 2017/18 is just over 1 year.

## **NOTES TO THE ACCOUNTS**

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

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

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
257 Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales	257
99 Fees payable to the Auditor General for Wales in respect of statutory inspections	99
54 Fees payable to the Auditor General for Wales for the certification of grant claims and returns	55*
2 Fees payable to the Auditor General for Wales for any other services	2
<b>412</b>	<b>413</b>

\* The £55k fee for the certification of grant claims and returns is an estimated figure.

### **32. Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17 and 2017/18:

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>	
105,152 Council Tax Income	109,236
73,224 Non Domestic Rates	79,531
234,543 Revenue Support Grant	231,169
4,771 School Building Improvement Grant	147
943 Local Transport Fund and Local Transport Network Fund	2,284
9,140 Housing MRA Grant	9,158
703 Road Safety / Safe Route in Communities	1,026
257 Heritage Lottery Fund	0
3,876 General Capital Grant	3,873
3,051 Vibrant & Viable Places	0
23 Wales Retail Relief / High Street Relief	505
320 Intermediate Care Fund	0
0 Highways Refurbishment grant	1,786
1,096 Other Grants and Contributions	1,244
<b>437,099</b>	<b>439,959</b>

## **NOTES TO THE ACCOUNTS**

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
	<b>Credited to Services</b>	
9,937	Education Improvement Grant	9,771
51,499	Rent allowance subsidy	50,343
36,412	Rent rebate subsidy	37,446
3,056	Families First	3,095
14,026	Supporting people	13,984
5,520	Department for Children, Education, Lifelong Learning and Skills	5,749
4,544	Environment and Sustainable Development Grant (ESD)	4,438
1,096	Housing Benefit Administration	987
6,482	Concessionary fares	6,209
6,075	Flying Start	6,096
6,926	Pupil Deprivation Grant	7,300
2,192	Communities First	1,974
0	School Building Improvement Grant	1,009
439	Communities for Work	662
184	Cynnydd Project (ESF)	560
85	Rural Development Plan	179
7,199	Bus Services Support Grant (BSSG)	4,739
1,309	Western Bay Intermediate Care Fund	0
0	Independent Living Fund	1,222
0	Social Care Workforce Grant	1,500
0	Winter Pressures	837
0	Funded Nursing Care	663
2,533	Intermediate Care Fund	2,586
1,893	Vibrant and Viable Places	761
2,120	Sandfields Renewal Area	675
280	ENABLE grant	280
567	Mayhill Family / Medical centre grant	0
9,822	Other Grants	11,267
<b>174,196</b>		<b>174,332</b>

### **33. Related Parties**

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

## **NOTES TO THE ACCOUNTS**

### **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 Swansea Council, as well as to a number of national bodies where it is deemed in the Authority's interest to be represented. Any transactions with these bodies are not significant.

### **c) Other Bodies**

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

Gower Commoners Association  
Gower College Swansea  
Mid and West Wales Fire Authority  
Swansea Bay Port Health Authority  
Swansea City Waste Disposal Ltd (LAWDAC)  
University of Wales Swansea – Court of Governors  
Welsh Local Government Association Council

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

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

Levies / Contributions paid to the two bodies were:-

Mid and West Wales Fire Authority:-	£12.275m (2016/17: £11.912m)
Swansea Bay Port Health Authority:-	£0.084m (2016/17: £0.093m)

The Authority is responsible for the collection of Council Taxes on behalf of the South Wales Police Authority. The total collected and paid over to the South Wales Police Authority for 2017/18 was £19.525m (2016/17 £18.530m).

## **NOTES TO THE ACCOUNTS**

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

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

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

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

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

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

The net liabilities of Swansea Waste Disposal Company Limited as at 30th September 2017 were £32k.

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

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

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

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

## NOTES TO THE ACCOUNTS

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

A contribution of £2,275 was made in 2017/18 and 2016/17 to National Waterfront Museum Swansea towards 50% of the governance costs of the charitable company. There were no creditors outstanding as at 31st March 2018 (2016/17 zero) . There was an outstanding debtor of £33,551 as at 31st March 2018 (2016/17 £1,315).The charitable company is deemed to be influenced significantly by the Authority through its representation on the Board of Trustees.

The net assets of the National Waterfront Museum Swansea at 31st March 2018 are £18,697,922 (2017 £18,849,975).

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

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

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

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

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

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

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
331	Funding provided by the Authority towards operating costs of the pool	275
101	Sum paid for the free use of the pool by schools and other bodies	62
-868	Recharges of wages, salaries and other costs to the Company	-884

## **NOTES TO THE ACCOUNTS**

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

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

There was an outstanding debtor of £72k (2016/17 £144k) and no outstanding creditors at 31st March 2018 and 31st March 2017.

The net assets of Wales National Pool (Swansea) Limited at 31st March 2018 are £5,068,000 (2017 £5,483,000).

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

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

In March 2005, Swansea Council 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 £115k of expenditure in respect of the Swansea Stadium Management Company Limited in 2017/18 (2016/17: £116k). These sums were reimbursed by SSMC Ltd.

The outstanding debtors and creditors at 31st March 2018 were £61k and £0 (2017 £79k and £0).

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

## **NOTES TO THE ACCOUNTS**

The Company has been loss making during 2017/18 and 2016/17. On the basis that the Authority is exempt from contributing to such losses, the company's results have not been consolidated into the Group Accounts.

On the 16th February 2018, a new higher yielding lease directly with Swansea City Association Football Club (The) Limited was agreed and the Authority surrendered the residual shareholding for a nominal sum. From this date, the Swansea Stadium Management Company Limited (SSMC Limited) is no longer an associate of the Authority.

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

### **Swansea Bay Futures Limited**

This company has been treated as dormant given no ongoing financial support from the Council but was dissolved in 2018/19 and as sole beneficial shareholder, on a goodwill basis the Council injected £12k to extinguish all accumulated predominantly statutory liabilities.

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

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

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

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

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

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

## **NOTES TO THE ACCOUNTS**

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

Funding set aside in the Authority's revenue budget for 2017/18 amounts to £0.362m (2016/17 £0.362m) which reflects the management fee payable to the company.

The net assets of Bay Leisure Limited at 31st March 2018 are £2,500,720 (2017 £2,094,339).

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

### **Swansea Community Energy & Enterprise Scheme (SCEES) - Associate**

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

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

There was an outstanding debtor of £72k (2016/17 £144k) and no outstanding creditors at 31st March 2018.

The net assets of Swansea Community Energy & Enterprise Scheme at 31st March 2018 is £390,997.

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

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

### **e) Other Organisations**

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

The spouse of a member of the Senior Management Team has provided therapy services to Western Bay Adoption Services via her own business. The amount paid for services provided in 2017/18 was £10,088 (2016/17 £18,283). The senior manager's interest in this company was properly recorded in the Register of interests.

## **NOTES TO THE ACCOUNTS**

During 2016/17 a member was employed by Dimensions UK as a Business Development Manager. Dimensions UK provide domiciliary care to adults with learning disabilities in a supported living service in the individuals own tenancy. Services provided by Dimensions to the Authority in 2016/17 totalled £125,062. The member's interest in this company was properly recorded in the Register of members interests which is available on the Authority's public website.

During 2017/18 the member was still employed by Dimensions UK as a Business Development Manager. However the member ceased to be a member as at 4th May 2017. Services provided to the Authority in 2017/18 until this date totalled £30,112.

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

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

### **g) Pension Fund**

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

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

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

## **34. Group Accounts**

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

- Swansea City Waste Disposal Company Limited - Draft Unaudited Annual Report for the year ending 30th September 2017.
- National Waterfront Museum Swansea - Management Accounts for the year ending 31st March 2018.
- Wales National Pool Swansea - Management Accounts for the year ending 31st March 2018.

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 2018 and the use of current information would not be significant in relation to the group position as stated.

## NOTES TO THE ACCOUNTS

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

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

<b>31st March</b>		<b>31st March</b>
<b>2017</b>		<b>2018</b>
<b>£'000</b>		<b>£'000</b>
1,063,579	Swansea Council (Parent)	1,062,349
32	Swansea City Waste Disposal Company Limited (Subsidiary)	32
9,425	National Waterfront Museum Swansea (Joint Venture)	9,349
2,742	Wales National Pool (Joint Venture)	12,021
<b>1,075,778</b>	<b>Net Assets Employed (exc. Pension Fund) *</b>	<b>1,083,751</b>
-679,092	Net Group Pension Fund Liabilities	-712,028
<b>396,686</b>	<b>Net Assets Employed</b>	<b>371,723</b>

\* Some of the component Group assets have been valued on a different basis to that used by the Authority. If the Wales National Pool had been valued at depreciated replacement cost then the asset would have a value of £24,050m. The Wales National Pool currently has a net book value in the region of £5m. Given the material scale of the difference in value the Authority has restated their share of the higher valuation which results in an unrealised gain of £9.5m. It is expected that under the terms of the agreement the final value at the end of the lease (24th Decemver 2023) will be zero. Therefore the difference in book valuations will be fully amortised by the 2023/24 Statement of Accounts.

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

# NOTES TO THE ACCOUNTS

## 35. Capital Expenditure and Capital Financing

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

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
<b>462,919 Opening Capital Financing Requirement</b>	<b>476,381</b>
<b>Capital investment</b>	
86,319 Property, Plant and Equipment	77,916
8 Heritage Assets	74
189 Investment Properties	215
154 Intangible Assets	327
11,765 Revenue Expenditure Funded from Capital under Statute	6,946
0 Investment	100
<b>Sources of finance</b>	
-5,716 Capital receipts	-5,117
-77 Capital receipts - set aside	-14
-32,941 Government grants and other contributions	-23,167
Sums set aside from revenue:	
-32,380 Direct revenue contributions	-29,742
-13,859 MRP/loans fund principal	-17,440
<b>476,381 Closing Capital Financing Requirement</b>	<b>486,479</b>
<b>Explanation of movements in year</b>	
16,350 Increase in underlying need to borrowing	9,698
125 Assets acquired under finance leases	159
-3,013 Other movements in year	241
<b>13,462 Increase/(decrease) in Capital Financing Requirement</b>	<b>10,098</b>

## **NOTES TO THE ACCOUNTS**

### **36. Leases**

#### **Authority as Lessee**

#### **Finance Leases**

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

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Vehicles, Plant, Furniture and Equipment	646	620

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:

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
Finance lease liabilities (net present value of minimum lease payments) :		
- current	175	137
- non-current	362	402
Finance costs payable in future years	33	41
Minimum lease payments	<u>570</u>	<u>580</u>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	179	141	175	137
Later than one year and not later than five years	380	432	353	396
Later than five years	11	7	9	6
	<u>570</u>	<u>580</u>	<u>537</u>	<u>539</u>

## NOTES TO THE ACCOUNTS

### Operating Leases

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

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

	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
Not later than one year	1,582	808
Later than one year and not later than five years	3,451	1,014
	<u>5,033</u>	<u>1,822</u>

The operating lease charge for the year was £1,898,283.54 (2016/17 £894,368.61).

### 37. Impairment Losses

During 2017/18 the Authority has recognised impairment charges of £1.90m (2016/17 £2.35m) within the Comprehensive Income and Expenditure Statement. This was attributable to non enhancing expenditure.

### 38. Termination Benefits

During 2017/18 the Authority incurred significant expenditure in terms of redundancy costs paid to leavers together with costs incurred in compensation payments to the Local Government Pension Fund in respect of early access pension costs.

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

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

## **NOTES TO THE ACCOUNTS**

Costs were incurred relating to redundancy payments and early access to pension costs totalling £7.423m (2016/17 £7.835m) for the year.

These costs include provision for costs for a limited number of employees whose service will be terminated in 2018/19 but who had been offered - and accepted - severance terms as at 31st March 2018.

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

The above costs include both teaching and non teaching staff.

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

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

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

The scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31st March 2018, the Authority's own contributions equate to approximately 0.2%.

In 2017/18 the Authority paid £12.1m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.5% of pensionable pay. The figures for 2016/17 were £12.1m and 16.48%. The March 2018 contributions of £1,009,107 were paid on the 7th April 2018. The contributions due to be paid in the next financial year are estimated to be £12.2m at an employer rate of 16.48%.

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

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

# NOTES TO THE ACCOUNTS

## 40. Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Authority participates in two post-employment schemes:

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

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

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

### Discretionary Post-retirement Benefits

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

## NOTES TO THE ACCOUNTS

### Transactions Relating to Post-employment Benefits

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

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Service cost comprising:				
- current service cost	53.33	39.53	0.00	0.00
- past service costs	3.02	2.67	1.71	0.00
Financing and Investment Income and Expenditure				
- Net interest expense	14.09	15.68	2.34	3.01
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>70.44</b>	<b>57.88</b>	<b>4.05</b>	<b>3.01</b>

### Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement

Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets	-7.48	-135.14	0	0
- Actuarial gains and losses arising on changes in demographic assumptions	0	-35.63	0	-1.41
- Actuarial gains and losses arising on changes in financial assumptions	-1.32	332.81	0.40	9.33
- Other	7.39	-79.87	5.33	-0.70
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>69.03</b>	<b>140.05</b>	<b>9.78</b>	<b>10.23</b>

## NOTES TO THE ACCOUNTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18	2016/17	2017/18	2016/17
	£m	£m	£m	£m
<b>Movement in Reserves Statement</b>				
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-70.44	-57.88	-4.05	-3.01
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
- employers' contributions payable to the scheme	40.09	35.00		
- retirement benefits payable to pensioners			5.78	5.83

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

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18	2016/17	2017/18	2016/17
	£m	£m	£m	£m
Present value of the defined benefit obligation	1,706.39	1,628.46	99.61	95.61
Fair value of plan assets	1,093.97	1,044.98	0.00	0.00
<b>Net liability arising from defined benefit obligation</b>	<b>-612.42</b>	<b>-583.48</b>	<b>-99.61</b>	<b>-95.61</b>

## **NOTES TO THE ACCOUNTS**

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

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits Arrangements</b>	
	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Opening fair value of scheme assets	1,044.98	869.63	0.00	0.00
Interest income	26.32	29.75	0.00	0.00
Remeasurement gain/(loss):				
- The return on plan assets, excluding the amount included in the net interest expense	7.48	135.14	0.00	0.00
Contributions from employer	40.09	35.00	5.78	5.83
Contributions from employees into the scheme	10.03	9.55	0.00	0.00
Benefits paid	-34.93	-34.09	-5.78	-5.83
<b>Closing fair value of scheme assets</b>	<b>1,093.97</b>	<b>1,044.98</b>	<b>0.00</b>	<b>0.00</b>

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

	<b>Funded Liabilities: Local Government Pension Scheme</b>		<b>Unfunded Liabilities: Discretionary Benefits Arrangements</b>	
	<b>2017/18</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Opening Balance at 1st April	1,628.46	1,348.06	95.61	91.21
Current service cost	53.33	39.53	0.00	0.00
Interest cost	40.41	45.43	2.34	3.01
Contributions from scheme participants	10.03	9.55	0.00	0.00
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	0.00	-35.63	0.00	-1.41
- Actuarial gains/losses arising from changes in financial assumptions	-1.32	332.81	0.40	9.33
- Other	7.39	-79.87	5.33	-0.70
Past service cost	3.02	2.67	1.71	0.00
Benefits paid	-34.93	-34.09	-5.78	-5.83
<b>Closing balance at 31st March</b>	<b>1,706.39</b>	<b>1,628.46</b>	<b>99.61</b>	<b>95.61</b>

## **NOTES TO THE ACCOUNTS**

### **Local Government Pension Scheme assets comprised:**

	Fair value of scheme assets	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	77,046	67,561
Equity instruments:		
By industry type		
- Consumer	197,828	207,153
- Manufacturing	141,200	130,692
- Energy and utilities	127,519	112,307
- Financial institutions	207,120	187,941
- Health and care	98,497	97,144
- Information technology	90,019	81,790
- Telecommunications services	25,800	38,375
- Property	1,933	4,459
	<u>889,916</u>	<u>859,861</u>
Pooled Equity Investment Vehicles		
- UK	164,264	160,652
- Overseas	343,594	332,091
	<u>507,858</u>	<u>492,743</u>
Property	85,256	87,240
	<u>85,256</u>	<u>87,240</u>
Fixed Interest:		
- Fixed Interest	194,091	195,320
- Index-Linked	32,547	32,282
	<u>226,638</u>	<u>227,602</u>
Hedge Funds	54,601	52,318
Private Equity	65,051	58,246
Cash Funds	761	1,664
Cash	3,672	3,211
Net Current Assets	3,232	3,107
Total assets	<u><u>1,914,031</u></u>	<u><u>1,853,553</u></u>

## NOTES TO THE ACCOUNTS

	Fair value of scheme assets	
	2017/18	2016/17
	£'000	£'000
Equity instruments:		
By company size		
- Large capitalisation	634,212	679,442
- Small capitalisation	255,704	180,419
Sub-total equity instruments	889,916	859,861

### Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the Actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18	2016/17	2017/18	2016/17
	Mortality assumptions:			
Longevity at 65 for current pensioners: (years)				
- Men	22.9	22.9	22.9	22.9
- Women	24.5	24.4	24.5	24.4
Longevity at 65 for future pensioners: (years)				
- Men	24.6	24.5		
- Women	26.3	26.2		
Rate of inflation %	2.1	2.0	2.1	2.0
Rate of increase in salaries %	3.6	3.5		
Rate of increase in pensions %	2.1	2.0	2.1	2.0
Rate for discounting scheme liabilities %	2.6	2.5	2.6	2.5

## **NOTES TO THE ACCOUNTS**

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

	<b>Impact on the Defined Benefit Obligation in the Scheme</b>	
	<b>Increase in Assumption £m</b>	<b>Decrease in Assumption £m</b>
Longevity (increase or decrease in 1 year)	1,654.70	-1,758.39
Rate of increase in salaries (increase or decrease by 0.1%)	1,715.59	-1,697.30
Rate of increase in pensions (increase or decrease by 0.1%)	1,727.92	-1,685.15
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,676.13	-1,737.19

### **Asset and Liability Matching (ALM) Strategy**

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

As is required by the pensions and investment regulations the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (77.6% of scheme assets) and bonds (11.4%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments. There is a limited use of derivatives to manage the bond risk for the shorter-term instruments. The ALM strategy is monitored annually or more frequently if necessary.

## NOTES TO THE ACCOUNTS

### Impact on the Authority's Cash Flows

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

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

The Authority expects to pay £40.08m contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 17.9 years (2016/17 17.9 years).

### 41. Contingent Liabilities

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

<b>Nature of Liability</b>	<b>Potential Financial Effect £'000</b>	<b>Comment</b>	<b>Timing</b>
Personal Social Services	Unknown	Relates to potential negligence claims relating to those cared for by the Council or its contractors. The Authority is not currently aware of any major claims.	Unknown

## **NOTES TO THE ACCOUNTS**

<b>Nature of Liability</b>	<b>Potential Financial Effect £'000</b>	<b>Comment</b>	<b>Timing</b>
Personal Social Services	Unknown	The Employment Appeal Tribunal has previously ruled that the National Minimum Wage applies to overnight sleep in personal care support. In line with previous custom and practice in the wider sector the Council was paying a night time allowance to direct carers and via providers of social care which following the ruling would not be compliant with the National Minimum Wage. Whilst the Council has already changed its payment arrangements in light of that ruling, retrospective claims by individuals and HMRC enforcement action could be made going back 6 years.	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
Equal pay and Equal Value claims	Unknown	<p>During 2008/2009 and 2009/10, in common with many other local authorities, the Authority made payments to certain staff in full settlement of potential equal pay claims. However, a number of claims remained unsettled and a considerable number of additional claims were subsequently received. The Authority has settled the majority of the liabilities by the 31st March 2016 but there are still some costs yet to be incurred. In respect of known future liabilities the Authority has made what it considers to be adequate revenue provision within the Accounts to cater for the estimated value of such residual liabilities.</p> <p>There is a potential for further (as yet unknown) claims in respect of equal pay claims and in respect of equal value claims which are not provided for in these accounts.</p>	2018/19

## **NOTES TO THE ACCOUNTS**

<b>Nature of Liability</b>	<b>Potential Financial Effect £'000</b>	<b>Comment</b>	<b>Timing</b>
Landlord / Tenant Liability Claims	Unknown	There is potential risk around lease/HRA properties where there are disputes as to whether it is a tenant or landlord property maintenance obligation.	Unknown
Retention or Clawback on Grant and Contract Claims	Unknown	The Council undertakes a range of activities under which payment is made specifically on evidenced performance over an extended period. Full receipt is not guaranteed until the end of the grant or contract period. There is potential risk that grant clawback may arise if not all grant terms and conditions are fulfilled.	Unknown
Legal and Insurance related matters	Unknown	The Council is regularly challenged on a range of issues that are either subject to litigation or insurance claims. The Council at all times will vigorously defend such claims, and in cases where claims are identified, the result can be anticipated and the potential financial effect evaluated then adequate provision is made with the Accounts for any such liabilities. There remains the possibility however of future claims arising as a result of past actions that are either unknown at the Balance Sheet date or where the outcome is so unpredictable in terms of outcome or financial liability that no reliable estimate of liability can be made.	Unknown
Swansea Stadium Management Company	Unknown	There are stadium construction matters to be resolved between the Swansea Stadium Management Company, tenant clubs and the Council.	Unknown
Flooding	Unknown	There are potential claims regarding flooding which may be taken against the Authority - such claims will be rigorously defended through the Authority's insurers and any successful claims will be met from future capital or revenue funding.	Unknown

## **NOTES TO THE ACCOUNTS**

<b>Nature of Liability</b>	<b>Potential Financial Effect £'000</b>	<b>Comment</b>	<b>Timing</b>
City Deal	£ millions	The Council has incurred, and continues to do so, significant initial work up costs on a range of regeneration and redevelopment schemes within the City Centre using a mix of its own funds and Welsh Government support. These continue to be considered capitalisable and thus treated as capital where appropriate but the final build out of schemes is heavily contingent upon decisions by the UK and Welsh Government over individual business cases under the City Deal and the terms and conditions of any final City Deal grant offer, and further funding flexibilities. If schemes were not to progress, for any reason, the costs incurred to date would potentially need to be written back to revenue.	2018/19 and then up to 15 years thereafter
Client care costs	£1million+	The interface between local authority social care, and to a much lesser extent some specialist education provision, and local health boards and other local authorities is a complex one involving discussion and decisions on lead responsibility for payment of client care costs, and in some cases appropriate sharing of costs. Whilst client care is of course the utmost priority, the contractual obligations and disputes between the various parties over costs is growing significantly and there remain substantial unresolved sums between the parties.	2018/19

## **NOTES TO THE ACCOUNTS**

### **42. Council Tax**

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

The Council Tax base is the number of properties in each band adjusted by a multiplier to convert the number to band 'D' equivalent and adjusted for discounts. The base was 89,465 in 2017/2018 (89,151 in 2016/2017).

The basic amount for a band 'D' property is £1,426.49 (£1,383.75 for 2016/17) 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 2016/17) 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	14	9,050	18,227	18,111	14,018	13,282	10,193	5,693	2,136	1,035

## **NOTES TO THE ACCOUNTS**

Analysis of the net proceeds from Council Tax:

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
125,494 Council tax collectable	129,618
-469 Less:- Provision for non payment of Council tax	-529
-19,873 Less:- Council Tax Support Scheme	-19,853
<b>105,152</b> Net proceeds from Council Tax	<b>109,236</b>

Application of Council Tax proceeds:

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
123,363 City & County of Swansea precept	127,621
967 Community Council precept	965
124,330 Council Tax requirement	128,586
-19,873 Less:- Council Tax Support Scheme	-19,853
695 Transfer to reserves (Surplus)	503
<b>105,152</b> Net application of proceeds	<b>109,236</b>

### **43. 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 2017/18 was 0.499p (0.486p in 2016/17) 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.

## **NOTES TO THE ACCOUNTS**

The NNDR income (after reliefs and provisions) of £70.004m for 2017/18 (£72.222m for 2016/17) was based on a rateable value at year end of £186.503m (£192.298m 2016/17).

The £70.004m represents the NNDR income collected by the Council and paid into the NNDR Pool that is administered by the Welsh Government. The £79.531m disclosed in Note 10 (Taxation and Non Specific Grant Income) is the receipt the Council received back from the Welsh Government.

Analysis of the proceeds from non domestic rates:

<b>2016/17</b>	<b>2017/18</b>
<b>£'000</b>	<b>£'000</b>
73,776 Non – domestic rates due	71,526
-363 Council funded contribution to rate relief	-350
73,413	71,176
-467 Less: cost of collection	-471
-724 Provision for bad debts	-701
72,222 NNDR due to pool	70,004
73,224 Net receipt from pool	79,531

#### **44. Jointly Controlled Operations**

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

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

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

## NOTES TO THE ACCOUNTS

### 45. Heritage Assets: Summary of Transactions

	2016/17	2017/18
	£'000	£'000
<b>Cost of acquisition of heritage assets</b>		
Heritage Land, Buildings & Infrastructure	4	6
Art & Museums	0	15
Furniture, Fixtures & Fittings	0	0
Other	4	0
<b>Total Cost of purchases</b>	8	21
<b>Value of heritage assets acquired by Gifts</b>		
Heritage Land, Buildings & Infrastructure	0	0
Art & Museums	0	64
Furniture, Fixtures & Fittings	0	0
Other	0	0
<b>Total Gifts</b>	0	64
<b>Revaluation recognised in the Revaluation Reserve in the period</b>		
Heritage Land, Buildings & Infrastructure	0	0
Art & Museums	2,037	3
Furniture, Fixtures & Fittings	0	0
Other	0	0
<b>Total</b>	2,037	3
<b>Revaluation recognised in the Surplus/Deficit on the Provision of Services in the period</b>		
Heritage Land, Buildings & Infrastructure	0	-6
Art & Museums	0	0
Furniture, Fixtures & Fittings	-224	0
Other	0	0
<b>Total</b>	-224	-6
<b>Impairment recognised in the period</b>		
Heritage Land, Buildings & Infrastructure	-4	0
Art & Museums	0	0
Furniture, Fixtures & Fittings	0	0
Other	-4	0
<b>Total</b>	-8	0

## **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.

<b><u>2016/17</u></b>		<b><u>2017/18</u></b>	
<b><u>£'000</u></b>		<b><u>Note</u></b>	<b><u>£'000</u></b>
	<b><u>Expenditure</u></b>		<b><u>£'000</u></b>
12,934	Repairs and maintenance		13,671
12,777	Supervision and management		13,848
601	Rent, rates, taxes and other charges		604
5,984	Depreciation and impairment of non-current assets	6	7,993
67	Debt management costs		67
336	Movement in the allowance for bad debts		623
32,699	<b>Total Expenditure</b>		36,806
	<b><u>Income</u></b>		
-54,754	Dwelling rents		-57,303
-103	Non-dwelling rents		-136
-2,737	Charges for services and facilities		-2,861
-1,132	Contributions towards expenditure		-988
-58,726	<b>Total Income</b>		-61,288

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

<u>2016/17</u>		<u>2017/18</u>
<u>£'000</u>		<u>£'000</u>
-26,027	<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	-24,482
672	HRA services' share of Corporate and Democratic Core	729
<b><u>-25,355</u></b>	<b>Net Cost for HRA Services</b>	<b><u>-23,753</u></b>
	<b>HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
6,221	Interest payable and similar charges	6,420
-47	Interest and investment income	-29
935	Net interest on the net defined benefit liability (asset)	821
-9,140	Capital grants and contributions receivable	-9,158
124	Income and expenditure in relation to investment properties and changes in their fair value	0
<b><u>-1,907</u></b>		<b><u>-1,946</u></b>
<b><u>-27,262</u></b>	<b>Surplus(-)/deficit for the year on HRA services</b>	<b><u>-25,699</u></b>

## **MOVEMENT ON THE HRA BALANCE**

<u>2016/17</u>		<u>2017/18</u>
<u>£'000</u>		<u>£'000</u>
15,233	Balance on the HRA at the end of the previous year	9,821
27,262	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	25,699
-32,674	Adjustments between accounting basis and funding basis under statute	-28,739
<u>-5,412</u>	<b>Net decrease before transfers to or from reserves</b>	<u>-3,040</u>
0	Transfers from / to reserves	0
<u>-5,412</u>	<b>Increase or (decrease) in year on the HRA</b>	<u>-3,040</u>
<u>9,821</u>	<b>Balance on the HRA at the end of the current year</b>	<u>6,781</u>

### **Adjustments between accounting basis and funding basis under statute**

#### **Adjustments to Revenue Resources**

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

1,198	Pension costs (transferred to (or from) the Pensions Reserve)	1,590
-3	Financial instruments (transferred to the Financial Instruments Adjustment Account)	-6
-133	Holiday pay (transferred to the Accumulated Absences Reserve)	74
-3,033	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	-1,165
<u>-1,971</u>	<b>Total Adjustments to Revenue Resources</b>	<u>493</u>

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

-2,703	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-2,882
-28,000	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-26,350
<u>-30,703</u>	<b>Total Adjustments between Revenue and Capital Resources</b>	<u>-29,232</u>
<u>-32,674</u>	<b>Total Adjustments</b>	<u>-28,739</u>

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

### **1. Housing Stock**

As at 31st March 2018 the Authority owned a total of 13,528 properties, made up of different types of dwelling including detached houses, semi-detached houses, bungalows, low level flats, high rise accommodation and sheltered accommodation.

The change in stock numbers can be summarised as follows:

<b>31/03/2017</b>		<b>31/03/2018</b>
<b>Units</b>		<b>Units</b>
13,493	Stock at 1 <sup>st</sup> April	13,500
10	Additions	28
-3	Sales	0
<u>13,500</u>	Stock at 31 <sup>st</sup> March	<u>13,528</u>

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

#### **Rent arrears**

<b>31/03/2017</b>		<b>31/03/2018</b>
<b>£'000</b>		<b>£'000</b>
1,413	Current tenants	1,714
529	Former tenants	668
<u>1,942</u>		<u>2,382</u>

Former tenants arrears written off during 2017/18 totalled £0.281m (2016/17 £0.316m). 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 2018 is £1.428m (31st March 2017 £1.086m).

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

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
-1,066	Provisions as at 1st April	-1,086
316	Arrears written off during year	281
-336	Increase in provision required	-623
<u>-1,086</u>	Provisions as at 31st March	<u>-1,428</u>

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

### **3. Capital expenditure**

During 2017/18 £44.136m (2016/17 £54.564m) was spent on HRA Properties.

This was financed as follows:-

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
9,140	Grants – Major Repairs Allowance	9,158
4,607	Capital Contributions	178
28,000	Revenue and Balances	26,350
12,817	Borrowing	8,450
<b><u>54,564</u></b>		<b><u>44,136</u></b>

The capital expenditure was incurred on HRA assets as follows:

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
42,690	HRA Properties	42,665
11,874	HRA Properties (work in progress at 31st March)	1,471
<b><u>54,564</u></b>		<b><u>44,136</u></b>

The Major Repairs Allowance was used in full in 2017/18 and 2016/17.

With the exception of £2.788m for new council homes at Milford Way, capital expenditure on council housing did not increase the value of the council properties and has been written down against the revaluation reserve.

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

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

No revenue expenditure funded from capital under statute was charged to the Housing Revenue Account in 2017/18 and 2016/17.

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

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

Capital receipts received during the year in respect of the sale of HRA properties amounted to £197k (£220k 2016/17). Of this £14k (£77k 2016/17) was set aside for the repayment of debt.

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

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
2,305	Opening balance 1 <sup>st</sup> April	583
220	Receipts during the year	197
-77	Less set asides	-14
-4	Less other costs	0
-1,861	Less used to fund HRA Capital Programme	0
<u><b>583</b></u>	<b>Balance available as at 31st March</b>	<u><b>766</b></u>

Capital receipts were as follows:

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
107	Council Houses	19
113	Land	178
<u><b>220</b></u>		<u><b>197</b></u>

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

The total charge for depreciation and impairment made to the HRA for 2017/18 amounted to £7.993m (2016/17 £5.984m) and is analysed as follows:-

<b>2016/17</b>		<b>2017/18</b>
<b>£'000</b>		<b>£'000</b>
	Depreciation on operational assets	
5,719	- dwellings	5,747
34	- other property	36
	Revaluation Losses	
231	- dwellings	2,210
<u><b>5,984</b></u>	<b>Total</b>	<u><b>7,993</b></u>

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

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

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

Supervision and management costs shown within the income and expenditure account includes a sum of £3.348m (2016/17 £2.804m) which is the cost calculated by the Authority's actuary as being the employers contribution required to meet the current year pension costs of HRA employees. This does not represent a statutory charge to HRA balances and is reversed out and replaced by the actual employers superannuation payments made before the final transfer to/from Housing Revenue Account balances is calculated.

### **8. Reserve Transfer**

No net transfer to or from capital reserves was made during 2016/17 and 2017/18.

# **CHIEF FINANCE OFFICER'S CERTIFICATE & STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

I hereby certify that the statement of accounts on pages 3 to 153 presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2018.

Ben Smith  
Chief Finance Officer

 20.09.18

## **The Authority's Responsibilities**

The Authority is required to:

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

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

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

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

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

The Chief Financial Officer has also:

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

## **Date of Authorisation for Issue**

The 2017/18 Statement of Accounts was authorised for issue on 20th September 2018 by Ben Smith, Chief Finance Officer who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

The 2017/18 Statement of Accounts was formally approved by Council on 20th September 2018.

Des Thomas  
Chairman



20-09-2018

# AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

## The independent auditor's report of the Auditor General for Wales to the Members of the City and County of Swansea

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of:

- City and County of Swansea; and
- City and County of Swansea Group

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

The City and County of Swansea's financial 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 and the related notes, including a summary of significant accounting policies.

The City and County of Swansea Group's financial 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 and the related notes, including a summary of significant accounting policies.

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 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of City and County of Swansea and City and County of Swansea Group as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's or group's ability to continue to adopt the going concern basis of accounting for a period of

# AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of the council and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### Certificate of completion of audit

I certify that I have completed the audit of the accounts of City and County of Swansea and City and County of Swansea Group in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

# AUDITORS' REPORT TO THE CITY & COUNTY OF SWANSEA

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including the City and County of Swansea Group's financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.



Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
25 September 2018

24 Cathedral Road  
Cardiff  
CF11 9LJ

The maintenance and integrity of the Council's website is the responsibility of the Council. The work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

# ANNUAL GOVERNANCE STATEMENT 2017/18

## 1. Scope of Responsibility

- 1.1 The City and County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the City and County of Swansea is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.
- 1.3 The City and County of Swansea has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the new CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government 2016*'. The revised framework applies to all annual governance statements prepared for the financial year 2017/18 onwards. A copy of the Code can be obtained by contacting the Chief Auditor on 01792 636463 or e-mailing [simon.cockings@swansea.gov.uk](mailto:simon.cockings@swansea.gov.uk). This statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014 to review the effectiveness of its internal control systems at least once a year.

## 2. The Purpose of the Governance Framework

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

- 2.3 The governance framework has been in place at the City and County of Swansea throughout the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

### 3. The Governance Framework

- 3.1 The Delivering Good Governance in Local Government Framework 2016 Edition produced by CIPFA and SOLACE (the Framework) defines governance as

*'Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.'*

The Framework also states that

*'To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times,*

*Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.'*

- 3.2 In local government, the governing body is the full council.

### 4. Background

- 4.1 The *Delivering Good Governance in Local Government Framework* published by CIPFA and SOLACE in 2007 set the standard for local authority governance in the UK. CIPFA and SOLACE reviewed the Framework in 2015 to ensure it remained fit for purpose and published a revised Framework in spring 2016.

- 4.2 The new *Delivering Good Governance in Local Government Framework* 2016 edition applies to annual governance statements prepared for the financial year 2017/18 onwards.

- 4.3 The new Framework introduces 7 new principles as follows:

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

## ANNUAL GOVERNANCE STATEMENT 2017/18

- G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 4.4 The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure
- Resources are directed in accordance with agreed policies and according to priorities
  - There is sound and inclusive decision making
  - There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities
- 4.5 The term local Code of Corporate Governance essentially refers to the approved governance structure in place, as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.
- 4.6 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework. It should therefore develop and maintain a local Code of Corporate Governance reflecting the principles set out in the Framework.
- 4.7 It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance, which cannot be achieved, by rules and procedures alone. Shared values that are integrated into the culture of an organisation and are reflected in behaviour and policy are hallmarks of good governance.
- 4.8 The Accounts and Audit (Wales) Regulations 2014 require that a review of the effectiveness of the governance arrangements must be undertaken at least annually and reported on within the authority e.g. to the Audit Committee or other appropriate member body and externally with the published accounts of the authority. In doing this, the authority is looking to provide assurance that
- Its governance arrangements are adequate and working effectively in practice
  - Where the reviews of the governance arrangements have revealed significant gaps, which will impact on the authority achieving its objectives, what action is to be taken to ensure effective governance in future.

## ANNUAL GOVERNANCE STATEMENT 2017/18

- 4.9 In 2016/17 a new Annual Governance Statement Group was established, tasked with the compilation of a revised Code of Corporate Governance, as well as a revised Annual Governance Statement. The Group is comprised of the Head of Financial Services & Service Centre (S151 officer), the Head of Legal, Democratic Services & Business Intelligence (Monitoring Officer), the Chief Internal Auditor and the Business Performance Manager. The Group meets periodically to discuss the governance arrangements of the Council.
- 4.10 The key elements of the policies, systems and procedures that comprise the governance framework in the Council are shown on the pages that follow, linked to the 7 fundamental principles.

## ANNUAL GOVERNANCE STATEMENT 2017/18

### **Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes, they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Behaving with integrity</b>	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	<ul style="list-style-type: none"> <li>• Members Code of Conduct in Constitution which reflects Local Authorities (Model Code of Conduct) (Wales) Order 2016</li> <li>• Officers Code of Conduct in Constitution</li> <li>• Member/Officer Protocol in Constitution</li> <li>• Member led authority principles/document</li> <li>• Council Values – people focused, working together and innovation</li> <li>• Whistleblowing Policy</li> <li>• Data Protection Policy</li> <li>• Money Laundering Policy</li> <li>• HR Policies</li> <li>• Anti-Fraud and Corruption Policy</li> <li>• Financial, land transaction and procurement procedure rules in Constitution</li> <li>• Standards Committee with Annual Report presented to Council</li> <li>• Member Dispute Resolution</li> <li>• Monitoring Officer training on Code</li> <li>• Officers/members declaration of interest</li> <li>• Officer Secondary Employment Policy</li> </ul>
	Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Principles of Public Life (the Nolan Principles)	
	Leading by example and using these standard operating principles or values as a framework for decision making and other actions	
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
<b>Demonstrating strong commitment to ethical values</b>	Seeking to establish, monitor and maintain the organisation’s ethical standards and performance	<ul style="list-style-type: none"> <li>• Council Values – people focused, working together and innovation</li> <li>• Commitment to the Nolan principles</li> <li>• Code of Conduct</li> <li>• Swansea Pledge</li> <li>• Constitution contains comprehensive Procurement and Financial Procedure Rules</li> </ul>
	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation	
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	
	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	
<b>Respecting the rule of law</b>	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	<ul style="list-style-type: none"> <li>• Member and Officer code of Conduct in Constitution</li> <li>• Role of Head of Paid Service, Section 151 Officer and Monitoring Officer established in Constitution</li> <li>• CIPFA statement on the Role of the Chief Financial Officer</li> <li>• Robust Scrutiny function</li> <li>• Anti-Fraud and Corruption Policy</li> <li>• Audit Committee</li> <li>• Internal Audit Section</li> <li>• Corporate Fraud Team</li> <li>• External Auditors</li> <li>• Annual Audit Letter</li> <li>• Standards Committee</li> <li>• Whistleblowing Policy</li> </ul>
	Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	
	Dealing with breaches of legal and regulatory provisions effectively	
	Ensuring corruption and misuse of power are dealt with effectively	

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### Principle B – Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Openness</b>	<p>Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness</p> <p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p> <p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</p> <p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</p>	<ul style="list-style-type: none"> <li>• Agendas published in advance of meetings</li> <li>• Minutes published following meetings</li> <li>• Decision making process described in Constitution</li> <li>• Forward Plan published on Internet showing key decisions to be made by Council and Cabinet</li> <li>• Consultation and Engagement Strategy &amp; Consultation Toolkit</li> <li>• Annual budget consultation</li> <li>• Publication Scheme</li> <li>• Freedom of Information Scheme</li> <li>• Challenge Panel and call-in procedure</li> <li>• Public questions at Council and Cabinet</li> <li>• Engagement with hard to reach groups, such as BME, Disability and LGBT communities. As well as engagement with children and young people to meet the requirement of the UNCRC</li> </ul>

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Engaging comprehensively with institutional stakeholders</b>	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	<ul style="list-style-type: none"> <li>• Public Service Board and One Swansea Plan/Well-Being Plan</li> <li>• Western Bay</li> <li>• ERW</li> <li>• Community Safety Partnership</li> <li>• Partnership agreements.</li> <li>• Co-production on policy and decision making</li> </ul> Effective use of website and social media.
	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	
	Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>• trust</li> <li>• a shared commitment to change</li> <li>• a culture that promotes and accepts challenge among partners</li> </ul> and that the added value of partnership working is explicit	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Engaging stakeholders effectively, including individual citizens and service users</b>	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Ward role of Councillors</li> <li>• Consultation and Engagement framework</li> <li>• 'Have Your Say' consultations on Internet</li> <li>• Residents telephone surveys</li> <li>• Consultation principles and toolkit available on Intranet</li> <li>• Role of Consultation Co-Ordinator and Equality Impact Assessments</li> <li>• Co-production</li> <li>• Annual Staff Survey</li> <li>• Complaints Policy and Annual Report.</li> </ul>
	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	
	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	
	Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	
	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	
	Taking account of the interests of future generations of tax payers and service users	

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### **Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Defining outcomes</b>	<p>Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions</p> <p>Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p> <p>Delivering defined outcomes on a sustainable basis within the resources that will be available</p> <p>Identifying and managing risks to the achievement of outcomes</p> <p>Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available</p>	<ul style="list-style-type: none"> <li>• Corporate Plan produced annually in accordance with Local Government (Wales) Measure 2009 and ‘Wellbeing Objectives’ in Wellbeing of Future Generations (Wales) Act 2015</li> <li>• Quarterly &amp; annual Performance Monitoring Reports</li> <li>• Annual Performance Review</li> <li>• Well-Being Plan produced by Public Service Board</li> <li>• Service Plan produced annually by each Head of Service</li> <li>• Monthly Performance and Financial Monitoring meetings held for each Directorate</li> <li>• Corporate Risk Policy and Framework</li> <li>• Corporate, Directorate Service and Information Risk Registers</li> <li>• Capital Review Programme and workshops with senior staff managing large scale capital projects to ensure an efficient, coordinated and structured approach to capital projects and the City Deal.</li> </ul>

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Sustainable economic, social and environmental benefits</b>	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan covering 3 financial years approved annually by Council</li> <li>• Corporate Plan produced annually</li> <li>• Publication of Well-Being Objectives</li> <li>• Service Plans</li> <li>• Corporate Risk Management Policy and Framework</li> <li>• Strategic Equality Plan</li> </ul>
	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	
	Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	
	Ensuring fair access to services	

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<b>Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes</b>		
<p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource input while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised</p>		
<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Determining interventions</b>	<p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided</p>	<ul style="list-style-type: none"> <li>• Policy development by Policy Development and Delivery Committees</li> <li>• Scrutiny function</li> <li>• Finance, Legal and Access to Services implications in all Council, Cabinet and Committee reports</li> <li>• Results of consultation exercises</li> <li>• Annual Internal Audit consultation exercise</li> <li>• Annual Service Planning</li> <li>• Annual Review of Well-Being Objectives</li> <li>• Annual Review of Performance Indicators and targets</li> </ul>
	<p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Planning interventions</b>	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	<ul style="list-style-type: none"> <li>• Timetable exists for producing or reviewing plans, priorities etc. on an annual basis</li> <li>• Consultation and Engagement framework</li> <li>• Monthly Performance and Financial Monitoring meetings for each Directorate reviews progress and authorises corrective action where necessary</li> <li>• Quarterly and Annual Performance Monitoring reports to Cabinet including achievement of national and local performance indicators</li> <li>• Medium Term Financial Plan</li> <li>• Annual budget setting process in place including consultation exercise</li> </ul>
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	
	Considering and monitoring risks facing each partner when working collaboratively including shared risks	
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	
	Establishing appropriate local performance indicators (as well as relevant statutory or other national performance indicators) as part of the planning process in order to identify how the performance of services and projects is to be measured	
	Ensuring capacity exists to generate the information required to review service quality regularly	
	Preparing budgets in accordance with organisational objectives, strategies and the medium-term financial plan	
	Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
<b>Optimising achievement of intended outcomes</b>	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	<ul style="list-style-type: none"> <li>• Quarterly Financial Monitoring reports to Cabinet</li> <li>• Mid-Year Budget Statement to Cabinet</li> <li>• Medium Term Financial Plan</li> <li>• Sustainable Swansea – Fit for the Future</li> <li>• Beyond Bricks and Mortar (community benefit clauses in council contracts)</li> </ul>
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	
	Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	
	Ensuring the achievement of ‘social value’ through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is “the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes”	

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### **Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it.**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Developing the entity’s capacity</b>	<p>Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</p> <p>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently</p> <p>Recognising the benefits of partnerships and collaborative working where added value can be achieved</p> <p>Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</p>	<ul style="list-style-type: none"> <li>• Commissioning Review as part of Sustainable Swansea – Fit for the Future strategy</li> <li>• Annual performance review for all staff under the Employee Performance Management Policy. Training and development needs included in review</li> <li>• Departmental service planning including succession plans and service resilience</li> <li>• Engagement with benchmarking groups such as APSE, CIPFA</li> <li>• Service planning process includes workforce planning and this is included in the overarching Workforce Plan</li> <li>• Quarterly financial and performance reports to Cabinet</li> <li>• Collaborative working with partners including the Public Service Board, Western Bay.</li> </ul>

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
<b>Developing the capability of the entity's leadership and other individuals</b>	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	<ul style="list-style-type: none"> <li>• Member/Officer Protocol in Constitution</li> <li>• Scheme of Delegation published in Constitution</li> <li>• Cabinet portfolio roles agreed and documented in Constitution</li> <li>• Monthly One to One meetings are held involving the Leader, Cabinet Members, Chief Executive, Corporate Directors, Chief Officers, Heads of Service and 3<sup>rd</sup> tier staff</li> <li>• Councillor Training Programme developed based on a Training Needs Assessment</li> <li>• Annual performance review for all staff under the Employee Performance Management Policy. Training and development needs included in review. Occupational Health and Wellbeing Policy exists with aim of promoting the health and wellbeing of all employees to enable them to achieve their full potential at work</li> </ul>
	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	
	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure, whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
	<p>Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>• ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• ensuring personal, organisation and system-wide development through shared learning, including lessons learnt from both internal and external governance weaknesses</li> </ul> <p>Ensuring that there are structures in place to encourage public participation</p>	<ul style="list-style-type: none"> <li>• Mandatory corporate induction course for new staff</li> <li>• Mandatory courses for staff i.e. safeguarding</li> <li>• Corporate learning and development courses</li> <li>• Stress and health advice available online</li> <li>• Helping Hands support, information and guidance service.</li> <li>• WLGA Peer Review of Swansea Council 2014</li> </ul>

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea – Evidence
	Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	
	Holding staff to account through regular performance reviews which take account of training or development needs	
	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	

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### **Principle F – Managing risks and performance through robust internal control and string public financial management**

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will ensure financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Managing risk</b>	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	<ul style="list-style-type: none"> <li>• Risk Management Policy with sophisticated risk matrix Framework</li> <li>• Corporate, Directorate, Service and Information risk registers</li> <li>• Quarterly review of Corporate Risks by Corporate Management Team</li> <li>• Monthly review of Directorate Risks at PFM meetings</li> <li>•</li> </ul>
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	
	Ensuring that responsibilities for managing individual risks are clearly allocated	
<b>Managing performance</b>	Monitoring service delivery effectively including planning, specification, execution and independent post-implementation review	<ul style="list-style-type: none"> <li>• Corporate Plan produced annually</li> <li>• Annual Performance Report produced</li> <li>• Quarterly performance monitoring report to Cabinet</li> <li>• Annual Service Plan produced by each Head of Service</li> <li>• Scrutiny function</li> <li>• Monthly Directorate Performance and Financial Monitoring meetings</li> </ul>
	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
	<p>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made, thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p> <p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p> <p>Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements)</p>	
<b>Robust internal control</b>	<p>Aligning the risk management strategy and policies on internal control with achieving objectives</p> <p>Evaluating and monitoring risk management and internal control on a regular basis</p> <p>Ensuring effective counter fraud and anti-corruption arrangements are in place</p> <p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p>	<ul style="list-style-type: none"> <li>• Audit Committee provides assurance on effectiveness on internal control, risk management and governance</li> <li>• Audit Committee Annual Performance Review</li> <li>• Audit Committee Annual Report to Council</li> <li>• Anti-Fraud and Corruption Policy</li> <li>• Role of Internal Audit Section and Corporate Fraud Team</li> <li>• Internal Audit and Corporate Fraud Annual Plans approved by Audit Committee</li> <li>• Internal Audit and Corporate Fraud Annual Reports to Audit Committee</li> <li>• Annual Governance Statement</li> </ul>

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
	<p>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>• that its recommendations are listened to and acted upon</li> </ul>	
<b>Managing data</b>	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<ul style="list-style-type: none"> <li>• Data Protection Policy</li> <li>• Information Governance Unit</li> <li>• The Council is signed up to the Wales Accord for Sharing Personal Information (WASPI)</li> <li>• Information management governance arrangements</li> <li>• Senior Information Risk Officer (SIRO) in place</li> <li>• Information Asset Register</li> <li>• Information sharing guidance published</li> <li>• Annual Performance Data Quality Audits</li> </ul>
	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	
<b>Strong public financial management</b>	Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance	<ul style="list-style-type: none"> <li>• Financial Procedure Rules in Constitution</li> <li>• Contract Procedure Rules in Constitution</li> <li>• Accounting Instructions on Intranet</li> <li>• Spending Restrictions document on Intranet</li> <li>• Adoption of the CIPFA Treasury Management in the Public Services: Code of Practice</li> </ul>
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	

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		<ul style="list-style-type: none"><li>• All borrowing and long term financing is made in accordance with CIPFA's Prudential Code. Treasury Management update reports are made to Audit Committee.</li></ul>
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<b>Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability</b>		
<p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>		
<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>	<b>City and County of Swansea - Evidence</b>
<b>Implementing good practice in transparency</b>	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	<ul style="list-style-type: none"> <li>• Reports Authors Protocol exists to ensure consistency in reports</li> <li>• Clear Writing guide published on Intranet</li> <li>• The Council's Publication Scheme is available on the website</li> </ul>
	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	
<b>Implementing good practices in reporting</b>	Reporting at least annually on performance, value for money and the stewardship of its resources	<ul style="list-style-type: none"> <li>• Annual Statement of Accounts audited by external auditor and approved by Council and published on website</li> <li>• Code of Corporate Governance based on CIPFA/SOLACE Framework 2016</li> <li>• Annual Governance Statement</li> <li>• Annual Review of Performance</li> </ul>
	Ensuring members and senior management own the results	
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	

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Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	City and County of Swansea - Evidence
	<p>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate</p> <p>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations</p>	
<b>Assurance and effective accountability</b>	Ensuring that recommendations for corrective action made by external audit are acted upon	<ul style="list-style-type: none"> <li>• External Audit provided by Wales Audit Office</li> <li>• Performance of Internal Audit Section monitored by Audit Committee</li> <li>• Implementation of WAO and Internal Audit recommendations monitored by Audit Committee</li> <li>• Peer Review, Corporate Assessment and Corporate Governance Review action plan monitored by Corporate Management Team</li> <li>• Annual Governance Statement</li> <li>• The Strategic Delivery Unit tracks and monitors all corporate and audit recommendations including peer reviews, which are reviewed by CMT. This is being reviewed as part of a review of the procedures for scrutiny examination of WAO reports and action plans.</li> </ul>
	Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	
	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.	

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## 5. Review of Effectiveness

- 5.1 The City and County of Swansea has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Chief Auditor's annual report and also by comments made by the external auditors and other review agencies and inspectorates. The newly formed Annual Governance Statement Group discuss the governance arrangements in place across the Authority and provide updates to the Corporate Management Team and Cabinet when necessary.
- 5.2 Heads of Service and Corporate Directors completed a Senior Management Assurance Statement which were reported to the Corporate Management Team for review.
- 5.3 The processes for maintaining and reviewing the effectiveness of the governance framework within the Council include the following broad headings.

## 6 Internal Control Self-Assessment

- Each Head of Service has provided a signed **Senior Management Assurance Statement** for 2017/18 which provides assurance over the internal control, risk management and governance framework for their area of responsibility.
- The **Senior Management Assurance Statement** contains 10 questions covering governance issues and requires a 'Yes', 'No' or 'Partly' answer. The vast majority of answers provided by Heads of Service were 'Yes' with a small number of 'Partly' responses. There were no 'No' assurance responses. The main areas where 'Partly' answers were given related to limitations of central control given the delegated budgets within Education and rectifying contract non compliance. However, in each case assurance was provided that sufficient monitoring was in place so as not to pose a risk to governance. Attached at Appendix A is the Senior Management Assurance Statements Analysis for 2017/18.

### 6.1 Internal Sources of Assurance

The following provide assurance based on reports covering 2016/17: as the reports for 2017/18 are not yet available. The 2017/18 reports will be reflected in the next Annual Governance Statement.

- The **Annual Performance Review 2016/17** was approved by Cabinet on 19/10/17 in accordance with the publishing requirements of the Local Government (Wales) Measure 2009. The report showed the results of each

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performance measure for the 5 Key Priorities ('Improvement Objectives') set out in the Corporate Plan 2015/17 '*Delivering for Swansea*'. The results showed that the Council was 'mainly successful' in achieving the performance measures for 5 of the Key Priorities and that, 'Improvement prospects are good with no major barriers'.

- The **Standards Committee** met on 4 occasions during 2017/18 and the **Standards Committee Annual Report 2016/17** was presented to Council on 26/10/17. The report described the work of the Committee during 2016/17 including an update on the new model Code of Conduct adopted by Council on 19/05/17 and an update on the new Ethical Framework – new statutory provisions. The Committee noted that of the 12 complaints made to the Public Service Ombudsman, the Ombudsman refused to investigate 10 and discontinued his investigation into 2 complaints. There were no referrals to the Monitoring Officer and Standards Committee. The Members Internal Dispute Resolution Process has not yet been utilised and underpins the strong commitment to and provides assurance that the Council's Code of Conduct is adhered to.
- The **Corporate Complaints Policy** was in place throughout 2017/18 and the **Corporate Complaints Annual Report 2016/17** was presented to Cabinet on 19/10/17. The Annual Report noted that in 2016/17 there was a 16% increase in the number of complaints and requests for service handled by the team. Requests for information also remained high. There was a 22% rise in the number of corporate complaints referred to the Ombudsman with 4 being resolved at an early stage. There is assurance in that the Ombudsman did not consider any complaints needed to be taken to full investigation. The highest number of complaints recorded were in Highways and Transportation and Waste management and Parks. The majority were dealt with as stage 1 complaints or requests for service which provides assurance that the majority of complaints were dealt with initially and did not proceed to stage 2.
- Adult Services stage 1 complaints increased by 14%. There is assurance that of the stage 2 complaints only 9 out of 25 complaints were upheld. There is also assurance in that there were no findings of maladministration by the Ombudsman in relation to adult services.
- Children Services stage 1 complaints were broadly similar to the previous year at 118. There were 3 stage 2 complaints with various complaints being made and a number of those were upheld. There is assurance that there were no findings of maladministration by the Ombudsman in relation to children services.
- The report also provides assurance that a number of service improvements have been introduced as a result of complaint investigations.
- The **Internal Audit Annual Report 2016/17** was reported to the Audit Committee on 08/08/17 and included the Chief Auditor's opinion that based on the audit reviews undertaken in 2016/17, Internal Audit can give reasonable assurance that the systems of internal control, risk management and governance were operating effectively and that no significant weaknesses were identified.
- The **Audit Committee Annual Report 2016/17** was presented to Council on 14/12/17 and outlined the assurance the Committee had gained over

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control, risk management and governance from various sources over the course of 2016/17.

- The **Scrutiny Programme Committee and Panels** met throughout 2016/17 and were supported by the Scrutiny Support Team. The **Scrutiny Annual Report 2016/17** was presented to Council on 27/07/17. The report highlighted the work carried out by Scrutiny, showed how Scrutiny had made a difference and supported continuous improvement for the Scrutiny function. The report also highlighted the increase in pre decision scrutiny and the high level of councillor commitment with 104 meetings held.
- The End of Year 2016/17 **Performance Monitoring Report** was approved by Cabinet on 20/07/17, which presented the detailed performance results for 2016/17. In summary, 62% of indicators that had targets met their targets. 73% comparable indicators also showed improvement compared to 2015/16. The results of the review are used to inform executive decisions on resource allocation and to take corrective action to improve performance and efficiency.

The following provides assurance based on reports covering 2017/18:

- The **Internal Audit Annual Report 2017/18** was reported to the Audit Committee on 14/08/18 and included the Chief Auditor's opinion that based on the audit reviews undertaken in 2017/18, Internal Audit can give reasonable assurance that the systems of internal control, risk management and governance were operating effectively and that no significant weaknesses were identified in 2017/18 which would have a material impact on the Council's affairs or the achievement of its objectives.
- The Well-Being Objectives and Statement 2017/2018 were approved by Council on 23/3/17 and carried forward into the Corporate Plan after May elections in line with Well Being of Future Generations (Wales) Act 2015.
- The **Corporate Plan 2017-22** *'Delivering a Successful and Sustainable Swansea 2017-22'* produced in accordance with the Local Government (Wales) Measure 2009 and the 'Wellbeing Objectives' under the Wellbeing of Future Generations (Wales) Act 2015 was approved by Council on 24/8/17. The Plan describes the Council's vision for Swansea, its 5 Well-being Objectives and the organisation values and principles that will underpin the delivery of the priorities and the overall strategy. The Corporate Plan feeds into service planning process across Directorates and the process is managed corporately by the Strategic Delivery Unit to ensure consistency. The Wales Audit Office audited the Council's Corporate Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 and WAO Code of Audit Practice and determined that the Council discharged its duties under section 15(6) to (9) of the Measure and acted in accordance with Welsh Government guidance sufficiently to discharge its duties.
- The adoption of the **Council Constitution** was reaffirmed at the Annual Meeting of the Council on 25/05/17. Various reports have been approved by Council throughout 2017/18 making changes to the Constitution.
- The **Audit Committee** met on 7 occasions during 2017/18 and followed a structured work-plan, which covered all areas of the Committee's

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responsibilities with the aim of obtaining assurance over the areas included in its terms of reference. The Committee includes a lay member as required by the Local Government (Wales) Measure 2011. The lay member is also the Chair of the Committee.

- As in previous years, some audits that had originally been included in the 2017/18 Internal Audit Plan had to be deferred to 2018/19, with those audits being prioritised where appropriate in the following year. However, this has not had a significant impact on the overall assurance that can be given on the effectiveness of the internal control. The 2018/19 plan contains governance and risk which will be undertaken early 2018/19 to give level of assurance.
- The **Scrutiny Programme Committee** met on 13 occasions in 2017/18 and had overall responsibility for the scrutiny function.
- The annual **Scrutiny Work Planning Conference 2017/18** was held on 19/6/17 and a report on the **Scrutiny Work Programme 2017/18** was agreed by the Scrutiny Programme Committee on 10/7/17.
- The **Constitution Working Group** met twice during 2017/18 to consider issues relating to local authority governor appointments requiring a change to the Council Constitution and nominations to the office of Lord Mayor and Deputy Lord Mayor.
- The **Medium Term Financial Plan 2019/20 – 2021/22** was approved by Council on 6/03/18. The Plan outlined the significant shortfall in funding faced by the Council over the period and the strategy to be adopted to address the shortfall as well as the inherent risks to the success of the adopted strategy.
- The revised **Corporate Risk Management Policy and Framework** was approved by Cabinet in 2017/18 and is being implemented. Corporate Management Team and Cabinet review the risks on a regular basis and from 2018/19 Audit Committee will in future receive the Corporate Risk Register
- Each Corporate Director held monthly **Performance and Financial Monitoring** meetings where Chief Officers and Heads of Service reported on progress in terms of continuous improvement and budgets.
- Quarterly **Performance Monitoring Reports** were presented to Cabinet during 2017/18, which provided detailed performance tables and identified the Council's performance outturn for the indicators, which had been selected for their suitability to measure performance against the Council's 5 Well-being objectives. The reports were scrutinised each quarter by the Service Improvement and Finance Scrutiny Panel.
- Quarterly **Financial Monitoring Reports** were presented to Cabinet throughout 2017/18. The reports consistently identified a revenue budget overspend at year end based on available information and stressed the need for expenditure to be contained within the budget set by Council. That overspend has now been confirmed and a draw from General Fund reserves of over £3m will be necessary for 2017/18, a position that is clearly unsustainable and unrepeatable in future years, given the S151 Officer has already ruled reserves to be at the absolute minimum.
- A **Mid Term Budget Statement 2017/18** was presented to Council on 26/10/17 which provided a strategic and focussed assessment of the current

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year's financial performance and an update on strategic planning assumptions over the next 3 financial years. The conclusion of the Statement was that the Council would struggle to deliver within the overall resources identified to support the budget in 2017/18 and beyond. The likely projected outturn was dependent upon the willingness and ability of the Council to reduce and restrict ongoing expenditure across all areas.

- All reports presented to Cabinet and Council during 2017/18 had been reviewed by Finance, Legal and Access to Services staff and included the appropriate paragraphs detailing the Financial, Legal and Equality and Engagement Implications of the report.
- The Council is the Administering Authority for the City and County of Swansea Pension Fund (the Pension Fund) and Swansea Bay Port Health Authority (SBPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and SBPHA. There are further specific requirements for the Pension Fund which are:
  - the Statement of Investment Principles
  - Funding Strategy Statement
  - A full actuarial valuation to be carried out every third year
- During 2015/16 the governance structure for the Pension Fund was amended to include the Local Pension Board, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Board members were appointed and the Board first met on 21/07/15. The Board met on 05/09/17 in 2017/18 and met 3 times during that year.
- The **Pension Fund Committee** met on 5 occasions during 2017/18 and dealt with all issues relating to the governance of the Pension Fund.

## 6.2 External Sources of Assurance

- In determining the breadth of work undertaken during the year, the Auditor General considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including the Council's own mechanisms for review and evaluation. For 2016-17, the Wales Audit Office undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General determined within the **Annual Improvement Report 2016-17** on Swansea Council that the Council was likely to comply with the requirements of the Local Government Measure (2009) during 2017-18. The Auditor General did not make any formal recommendations. However, a number of proposals for improvement were made Progress meeting proposals for improvement are monitored by Audit Committee on a six monthly basis.
- In June 2017, the Wales Audit Office issued a report on **Good governance when determining service changes**. The report concluded that the

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Council has a clear governance framework for determining significant service change but needs to clarify how the impact of change for service users will be evaluated. Proposals for improvement included: Improving public access to information about the Council's Commissioning Review activity and outcomes by linking together all the web site information about the overall programme and signposting its availability; whilst potential financial savings are consistently identified the Council should ensure that the process for concluding a review consistently identifies the intended impact for service users and the means by which that impact will be evaluated in the future.

- Six month status update reports track progress on WAO proposals .
- The Appointed Auditor's **Annual Audit Letter 2016/17** was issued in November 2017 and presented to the Audit Committee on 12/12/17. The letter stated that *'The Council complied with its responsibilities relating to financial reporting and use of resources'*. The letter also stated that an unqualified audit opinion had been issued on the accounting statements confirming that they present a true and fair view of the Authority's and the Pension Fund's financial position and transactions. The letter also stated that *'The Auditor General for Wales is satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources but the financial outlook is very challenging'*.
- The Wales Audit Office published in March 2017 a **Savings Planning Review** of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience. The Wales Audit Office concluded that whilst the Council has a sound financial planning framework, the Council recognises the delay in delivering savings plans to required timescales presents risks to its financial resilience. Proposals were made to strengthen financial planning arrangements by: ensuring that savings plans are sufficiently well developed and risk assessed before inclusion in the budget; assigning responsibility for the delivery of all planned savings to specific managers' services.
- When reviewing the Council's statutory improvement planning and reporting duties under the 2009 Measure, the Wales Audit Office concluded that the Council had complied with its duties and the relevant certificates of compliance were issued.
- The Wales Audit Office on behalf of the Auditor General for Wales presented the **Audit of Financial Statements Report 2016/17** to Audit Committee on 26/09/17 and to Council on 28/09/17. The report highlighted any significant issues to those charged with governance that needed to be considered prior to the approval of the financial statements. The report concluded that the Auditor General intended to issue an unqualified audit report on the financial statements for both the City & County of Swansea and the City and County of Swansea Pension Fund.
- The Wales Audit Office undertook an assessment of the Council's Corporate Plan following publication in August 2017 and issued a Certificate of

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Compliance as the Council had discharged its duties under the Local Government (Wales) Measure 2009 and Code of Audit Practice.

The Council is subject to **Statutory External Inspections** by various bodies including Wales Audit Office, ESTYN and CSSIW. ESTYN inspected 11 educational establishments during 2017/18 with inspection reports being provided to the Governing Body in each case. Work continued in 2017/18 to implement the 5 recommendations arising from ESTYN's Education Services for Children and Young People Inspection Report 2013/14. A final update report was taken to Cabinet on 14/12/17 where it was noted that future reports would provide updates on future new and emerging priorities. In future the Audit Committee will receive reports on external inspections but this will be considered during 2017/18 as part of the review of procedures for WAO reports and proposals to scrutiny.

- 6.3 The Annual General Meeting of the Council held on 25/05/17 appointed the required number of Councillors to sit on the Boards of the companies included in the Council's Statement of Accounts.
- 6.4 The Council has partnership arrangements in place with the Wales National Pool Swansea, National Waterfront Museum Swansea, Liberty Stadium and the LC. Cabinet agreed a new legal agreement with the Liberty Stadium on 16 November 2017. In addition, partnership arrangements are also in place with the 360 Beach and Watersports Centre, Swansea Indoor Bowls Centre and Swansea Tennis 365 but there is no Council representation on the Board and the Council's financial contribution is nil or limited.
- 6.5 Corporate Management Team have reviewed the Annual Governance Statement and governance arrangements, which operated for 2017/18 and are satisfied with the level of assurance and that no major issues exist.
- 6.6 The evidence gathered as part of the governance review for 2017/18 i.e. the Internal Control Self-Assessment and the review of internal and external sources of assurance supports the view that the governance arrangements continue to be fit for purpose although a small number of issues were identified where improvements can be made which are highlighted in Section 7.

## 7 Significant Governance Issues

- 7.1 The following table shows the significant governance issues which were identified during the review of effectiveness undertaken when preparing the Annual Governance Statement 2016/17 and the action taken during the year to address the issues.

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Issue	Proposed Action	Action Taken
1.Regionalisation and associated governance issues	Senior Officers time will continue to be devoted to developing regional working and joint committee structures, particularly in relation to the City Deal and any other emerging work. Work in this area is ongoing and will continue into 2017/18.	Regional legal and financial working groups were set up to consider City Deal structure and governance issues. Work in this area is ongoing and will continue into 2018/19.
2.Major Projects (including Capital Schemes)	Significant Officer time will continue to be committed to relevant projects in 2017/18. Wider issues in relation to support to schemes from a Legal, Finance, Procurement and Governance view point will be reviewed and address during 2017/18 in line with the ongoing Capital Commissioning Review.	A range of officer support and programme management has been provided for major projects with regular updates to CMT/Cabinet. Legal, financial and procurement officers have all been involved in project work including governance considerations.
3.Ongoing Council restructures and consideration of remaining Officer Capacity	Senior Officers are aware of the governance risks resulting from continued and ongoing reductions in resources. This will be monitored throughout 2017/18. The retention of the Director of Resources position will ensure overall corporate governance	An interim Director of Resources was appointed in 2017/18 to ensure overall corporate governance. Further changes to the senior management structure will mean ongoing monitoring.  The roles of s 151 officer and Corporate Director remain segregated.

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	and control issues are identified and addressed where necessary. The roles of the Section 151 Officer and the Director will continue to be split to ensure adequate segregation is in place and to allow for arrangements to be effectively challenged throughout 2017/18.	
4.Risk Management	A new risk policy and framework will be reported to Council for adoption, which will then be implemented during 2017/18.	A revised risk management policy was reported to Cabinet on 17/08/17. Audit committee will receive a quarterly report on the overall status of risk.
5. Public Service Board management and co-ordination	Current post-holders are leaving / going to different job. A temporary co-ordinator will be appointed for 1 year after which there will be a review.	A governance review of the PSB will take place in 2018/19.
6. Wales Audit Office Annual Improvement Report 2016/17– proposals for improvement	The proposals made by the Wales Audit Office will continue to be addressed during 2017/18.	Audit Committee reviews progress meeting WAO proposals on a six monthly basis.
7. Wales Audit Office Savings Planning Review 2016/17 – proposal for improvement	The proposal made by the Wales Audit Office will continue to be addressed during 2017/18.	Audit Committee reviews progress meeting WAO proposals on a six monthly basis.

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7.2 The following table identifies issues, which have been identified during the review of effectiveness, and also highlights any other significant governance issues that need to be considered, together with the proposed actions to be taken during 2018/19 to address the issues.

Issue	Proposed Action
<p><b>1. Budgetary pressures within the Council.</b></p> <p>The Council is facing unprecedented financial pressures and budget savings have to be made by departments in a timely manner.</p>	<p>Cabinet, CMT and all Heads of service have been reminded that:</p> <ul style="list-style-type: none"> <li>• No one is authorised to overspend against budget;</li> <li>• All spend must be contained within service budgets at Head of service and Director level;</li> <li>• Any material deviation must be escalated immediately through the monthly monitoring processes to CMT and ultimately to Cabinet if necessary to enable corrective action to be undertaken;</li> <li>• Corrective action requiring a policy decision will go to Cabinet with clear S151 officer advice to reduce spend back to within budget immediately;</li> <li>• Corrective action beyond this point will be determined by the S151 officer having due regard to the wider public interest and statutory intervention powers.</li> </ul>
<p><b>2. Sustainable savings</b> – there needs to be full consideration and robust business case underpinning savings proposals particularly relating to staff cuts. With wellbeing of future generations in mind sustainability of service, delivery together with mitigation of risks should be part of any proposals.</p>	<p>CMT/Cabinet to continue future budget discussion/proposals with sufficient and adequate information available for consideration.</p> <p>CMT monitors staff vacancy/recruitment on weekly basis.</p>

## ANNUAL GOVERNANCE STATEMENT 2017/18

<p><b>3. Regional working</b>—with collaboration/merger on national agenda going forward it is essential that not only are governance issues around regional working appropriate and transparent but also that regional working benefits CCS.</p>	<p>Reports to Cabinet/Council, where appropriate, setting out governance arrangements/benefits. This will include City Deal, Western Bay and ERW and any new regional collaborations.</p>
<p><b>4. Workforce capacity and performance-</b> Directorates have seen a reduction in staff resources and it is essential that workforce performance is monitored through an effective system of appraisal which supports and upskills existing officers.</p>	<p>Staff development through workforce planning and review of the appraisal system to ensure staff are performing and are being supported in their role.</p>
<p><b>5. Delivery of Leisure Partnership Report</b> to be done on an annual basis. This should include reference to activity with other entities within the group structure as part of the review of effectiveness of the system of internal control.</p>	<p>A combined Annual Leisure Partnership Report for 2015/16 and 2016/17 is scheduled to go to Council in July 2018.</p>
<p><b>6. Major projects</b> – significant officer time will continue to need to be dedicated to major projects to ensure transparency around decision making and good governance.</p>	<p>Revised programme management around Sustainable Swansea, City Deal, City Centre Regeneration, 21<sup>st</sup> Century Schools and other significant projects with reporting to CMT by exception</p>

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

**ANNUAL GOVERNANCE STATEMENT 2017/18**

Signed  ..... Chief Executive  
Date 20/9/18 .....

Signed  ..... Leader  
Date 20/9/18 .....

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## Appendix A

Assurance Statement Category	Yes	Partly	No
<b>1. Risk Management – escalation to Directorate or Corporate Risk Register</b>	100%		
<b>2. Risk Management – management of risk monitored</b>	88%	12% (2 respondents)	
<b>3. Internal Controls</b>	100%		
<b>4. Compliance with Procedure Rules</b>	94%	6% (1 respondent)	
<b>5. Internal Control / risk management and governance process</b>	100%		
<b>6. Internal controls around service change / system development</b>	100%		
<b>7. Monitoring of Savings proposals and impact</b>	94%	6% (1 respondent)	
<b>8. Partnerships / collaborative working</b>	100%		
<b>9. Audit report monitoring</b>	100%		
<b>10. Fraud and Financial Impropriety</b>	100%		

A total of 18 responses were received from Heads of Service and Corporate Directors.

## **GLOSSARY OF TERMS**

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

### **Accrual**

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

### **Actuary**

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

### **Agency Services**

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

### **Amortised Cost**

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

### **Associate**

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

### **Audit**

An audit is an independent examination of our activities.

### **Balance Sheet**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital Expenditure**

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

## ***GLOSSARY OF TERMS***

### **Capital Receipts**

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

### **Cash Equivalents**

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

### **Cash flow Statement**

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

### **Consolidated Balance Sheet**

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

### **Corporate and Democratic Costs**

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

### **Credit Risk**

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

### **Creditor**

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

### **Current Assets**

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

### **Current Liabilities**

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

### **Debtor**

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

### **Depreciation**

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

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

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

# **GLOSSARY OF TERMS**

## **Earmarked Reserves**

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

## **Financial Year**

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

## **Finance Leases**

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

## **Fixed Asset**

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

## **Gilt Edged Stocks**

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

## **Government Grants**

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

## **Housing Revenue Account**

This account contains all our housing income and spending.

## **Investments**

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

## **Joint Venture**

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

## **Leasing**

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

## **Liability**

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

# **GLOSSARY OF TERMS**

## **Liquidity Risk**

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

## **Minimum Revenue Provision (MRP)**

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

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

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

## **Net Realisable Value**

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

## **Non Distributable Costs**

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

## **Operating leases**

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

## **Precepts**

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

## **Provision**

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

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

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

## **Related party transactions**

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

## **Reserves**

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

## **Revaluation Reserve**

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

# **GLOSSARY OF TERMS**

## **Revenue account**

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

## **Scheduled organisation**

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

## **Securities**

These are investments such as stocks, share and bonds.

## **Stocks**

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

## **Subsidiary**

An entity is a subsidiary of the reporting authority if:

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

## **Temporary Borrowing or Investment**

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

## **Transfer value**

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

## **Trust Funds**

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

## **Unit Trusts**

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

## **Venture Capital Units**

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

## **Work in Progress**

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